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GREAT WESTERN RAILWAY
OF CANADA.

REPLY

OF THE

PRESIDENT AND DIRECTORS

TO THE

R E P O R T

OF THE

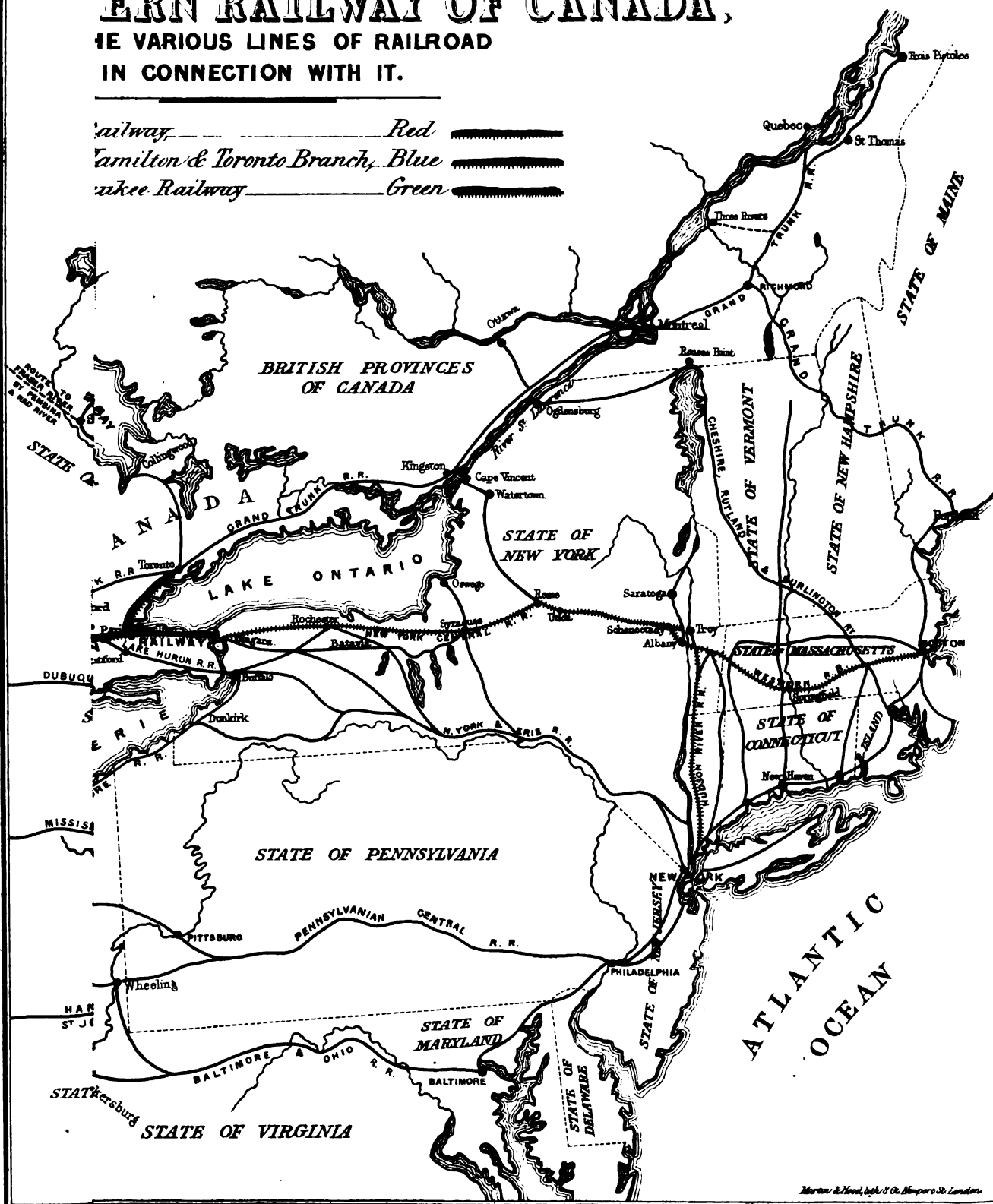
COMMITTEE OF INVESTIGATION.

MARCH, 1861.

LONDON:—1861.

Map of the ERN RAILWAY OF CANADA, THE VARIOUS LINES OF RAILROAD IN CONNECTION WITH IT.

ailway ————— *Red* —————
amilton & Toronto Branch, *Blue* —————
ukee Railway ————— *Green* —————



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LONDON
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C O N T E N T S.

	PAGE
I.—INTRODUCTION	5
II.—HAMILTON AND TORONTO	9
III.—DETROIT AND MILWAUKEE—BOND ISSUE	18
IV.—DETROIT AND MILWAUKEE—FREE LAND SHARES	22
V.—DETROIT AND MILWAUKEE—LOANS	24
VI.—MAIN LINE	34
VII.—REVENUE AND DIVIDENDS	37
VIII.—ACCOUNTANTS' AND ENGINEER'S REPORTS	46
IX.—CONCLUSION	49

APPENDIX.

I.—LETTER FROM C. J. BRYDGES, Esq. THE MANAGING DIRECTOR . .	55
II.—HAMILTON AND TORONTO	74
LETTER FROM GEORGE WYTHES, Esq. CONTRACTOR . . .	74
NOTE BY R. GILL, Esq. PRESIDENT	78
LETTER FROM J. B. SMITH, Esq. M.P.	79
III.—DETROIT AND MILWAUKEE—LETTERS	83
IV.—STORES—LETTER FROM ISAAC BUCHANAN, Esq.	85
V.—CORRESPONDENCE WITH THE COMMITTEE OF INVESTIGATION	87

R E P L Y,

&c.

TO THE SHAREHOLDERS OF THE GREAT WESTERN RAILWAY OF CANADA.

THE PRESIDENT and DIRECTORS of the Great Western Railway of Canada feel it their duty, before the occurrence of the usual Half-yearly Meeting of English Shareholders, to reply at length to the very serious charges contained in the Report of the Committee of Investigation, which was issued to the Shareholders under date February 15th, 1861, with the signatures of Messrs. H. H. Cannan, *Chairman*, Allan Gilmore, Robert Kaye, P. Margetson, D. Price, and R. Sutherland.

The Shareholders are aware that the Committee in question was appointed at the half-yearly meeting held on April 4th, 1860. They are also aware that, although the Directors were anxious and even proposed that such a Committee should be appointed, they did not approve the constitution of the Committee, which was composed of individuals entirely inexperienced in railway affairs, and who had become Shareholders of the Great Western Railway at comparatively recent dates, and who had, on preceding occasions, shown themselves very hostile to the Management.

Your Directors were disposed, nevertheless, to give the Committee every assistance, in the hope that the result of their investigations might benefit the property. They accordingly instructed the Secretary to "afford them access to all Books, papers and documents relative to the Company's affairs, as well as to give all the information in his power in furtherance of the investigation." They "confirmed and approved" the full powers entrusted to the Accountants who were sent

by the Committee to Canada. Their co-operation, however, was not accepted by the Committee. It very soon became apparent that the inquiries of the Committee were being conducted in a spirit that could not be productive of any good results. At length your Directors conceived that their duty to your property and to themselves required that they should decline to continue communication through their officers with the Committee except in writing, in which form they expressed themselves ready to give them every information they might require.

Its interference with
the current business
of the Company.

Although the powers of the Committee could only refer to matters transacted up to the date of their appointment, your Directors during six months, from courtesy, gave the Committee access to their current documents; but at length the danger of this proceeding to your interests and the abuse made of it became so apparent that on the 10th of October, 1860, the Board felt constrained to pass the following resolution:—

“ It appearing that various questions are now pending upon which action cannot immediately be taken, and that, in the meantime, it is for the interest of the Company that imperfect information should not be allowed to transpire, **RESOLVED**, “ That no further papers relating to current affairs be laid before the Committee of “ Investigation.”

See Appendix, p. 91.

So desirous were the Board and its officers to afford every possible facility to the inquiry, that on the Accountants asking in Canada to be permitted to take away with them some of the books and papers of the Company—a proceeding quite unusual—their request was acceded to, on a written understanding that they were to be taken to the Company's office in London: the Accountants, however, took them to their own offices in Tokenhouse Yard, where they have remained ever since. On being applied to for the return of these books, they replied, on November 21st, 1860, that they should be given up as soon as the report of the Committee was issued. But now, notwithstanding the books and papers in question are much wanted, the Chairman of the Committee declines to give them up, although, from his letter of March 4th, 1861, it appears that they are not in the custody of the Committee, but in that of the Accountants, in whose hands Mr. Cannan says they are “ *impounded*.”

Its mode of examining
witnesses,

Your Directors have further to complain that the proceedings of the Committee of Investigation in the collection of evidence and the examination of witnesses, were not only of a most hostile, but of an exceedingly unfair and improper character. They called for the attendance of your officers at all times and seasons, in Canada and in England, in utter disregard of the requirements of their official duties. They examined and cross-examined each witness separately, without any previous intimation as to the subjects on which information might be

desired, and consequently without affording the witnesses any opportunity of refreshing their memories as to dates or circumstances. Any imperfections in a witness's recollection arising from these causes, the Committee treated as evasions. They also endeavoured to extract from the witnesses admissions to which the Committee afterwards gave their own interpretation and significance. Their inquiries were conducted with closed doors. Your Board were ever kept ignorant of the nature and object of the Committee's investigations; and although many discharged servants of the Company were examined, no one was present to represent your Directors, nor was there any one present to see that, by proper questions, the whole truth upon each subject was properly and fairly elicited. No one was allowed in the room but the party actually under examination, and his evidence was not in all cases (as is the ordinary practice of the House of Commons, and the committees of other public bodies) submitted to him for his revision. A shorthand writer was present to take notes of all that was said, and the witness was not always informed of his presence. and with a shorthand writer. Mr. J. B. Smith, M.P. for Stockport, who was formerly Chairman of your English Direction, says in a letter which will be found in the Appendix—

"I attended a meeting of the Committee of Investigation at their request, but "not having had any previous intimation of the points on which they desired information, I was unable to speak of transactions occurring four or five years ago with the precision which I should otherwise have been able to do.

"*Had I, also, been informed of the presence of a shorthand writer, my evidence* "would have been of a less desultory character than it was."

Contrary to the usual practice in an investigation of this description, the statements of one witness were also used by this Committee to influence the evidence of another; so that, without knowing what was alleged, or who alleged it, a witness was suddenly and unexpectedly called upon (as in Mr. Laing's case) to give minute explanations, requiring careful reference to dates and figures, on transactions which had occurred years before. Thus contradictions were sought to be established in evidence upon points on which no real differences whatever existed, as would have been apparent, had the witnesses had an opportunity of knowing with what object they were being examined. Unfair treatment of the evidence.

All this appeared to your Directors to be an unusual and unfair mode of conducting such an investigation. The object of the Committee seemed to be to confound the witnesses—not to obtain the truth. This was so apparent to your Directors that they determined not to submit themselves to such a 'Star Chamber' inquiry, although, at the same time, they offered to give the fullest explanations in writing upon any point the Committee might desire. The Committee, however, never Course taken by the Directors, who offered explanations,

which were refused, availed themselves of these opportunities. No questions were ever submitted to your Board: explanations were even offered and refused. Appendix, p. 87. The correspondence on the subject will be found in the Appendix. If, therefore, the Committee have fallen into errors in their Report, it is their own fault. They profess that they have other matter to adduce hereafter. Your Directors do not profess to answer statements which the Committee shrink from making public: they can only reply to what and who now proceed the Committee themselves think proper to advance. But as to the statements which they have made, your Directors feel assured that they can dispose of them most satisfactorily to their Shareholders and the to reply to the Report. public.

II.

HAMILTON AND TORONTO RAILWAY.

CHARGES OF THE COMMITTEE AGAINST MR. SAMUEL LAING.

THE first charge which is made by the Committee of Investigation ^{Charges of the Committee} relates to a gentleman who has for some years past been dissociated with your concerns, and who is no longer in Europe to defend himself against such allegations. against

The Committee charge against Mr. Samuel Laing, who is now the ^{Mr. S. Laing,} Minister of Finance in India, that he was a party to a corrupt and illegal engagement entered into with Mr. Wythes, the eminent contractor, for the purpose of defrauding the Shareholders of the Great Western of Canada, and Hamilton and Toronto Railways. The charge ^{Recorded.} is that prior to the 1st December, 1852 (the date of the Prospectus of the Hamilton and Toronto Railway): "*he, Mr. Laing, had entered into* " A PARTNERSHIP ENGAGEMENT *with Mr. Wythes, by virtue of which he* " *and Wythes were to share the PROFIT AND LOSS upon the contracts* " *between them.*" That, nevertheless, he, Mr. Laing, entered into a contract with Mr. Wythes, as "Provisional Director and Trustee for the Shareholders," to "construct the Line and complete the Railway "for a sum not exceeding 328,000*l.*, so that no further outlay could "in any event be required." That, having thus entered into "an "Agreement between himself, as a Trustee for the Shareholders, and "himself as a Railway Contractor," Mr. Laing, in a third capacity, as Chairman of a General Meeting, in 1853, of Great Western of Canada Shareholders, induced that Company to lease the Hamilton and Toronto Line (for the purpose, as it is insinuated, of raising the value of the Shares, and thereby of placing himself in a position still further to defraud the public and the Shareholders); and that, subsequently, in 1855, when he had ceased to have any share in the Company's concerns, Mr. Laing, "although no longer a Director, or even a Shareholder, accompanied Mr. Wythes to the Board Meetings, and, as the "Committee are informed, advocated his claims," (or, as they define it,

the "joint claims" of Messrs. Laing and Wythes,) to receive a sum of 60,000*l.* or 80,000*l.* over and above the amount of his contract, of which sum he did receive "upwards of 20,000*l.*, to which the Committee think he was not entitled." The Committee report their opinion, that—

"The whole matter ought to be thoroughly sifted, and all parties implicated in "the deception brought to account;" that "the proper legal machinery should be set "in motion to ascertain clearly all the facts connected with the raising of this money, "and the commission paid for the transaction;" and "that the real nature of the "partnership, admitted to have existed between Mr. Laing and Mr. Wythes, should be "further inquired into."

Directors not immediately concerned in these charges,

Your present Directors had nothing whatever to do with raising the Capital of the Hamilton and Toronto Railway. That Line was formed as a distinct and separate and independent Company from the Great Western of Canada, with merely an understanding (which was very important to the Shareholders of the Great Western), that at a proper time the two concerns should be associated, either by lease or amalgamation. Your Directors, therefore, if they so pleased, might very properly refrain from entering into charges of corruption and fraud against Mr. Laing, as charges which in no way affect them, and which may more properly be left to the decision of the legal tribunal to which Mr. Laing and the Committee mutually threaten to bring each other to account. But, regarding the nature of those charges, the mode in which they were suppressed until Mr. Laing had left England, and the way in which circulation has been given to them since his absence, your Directors feel it a duty to the parties interested, and the public, to state what, so far as their knowledge goes, the facts really are.

but feel it their duty to state

The Facts.

The Original Promoters of the Hamilton and Toronto

The construction of the Line from Toronto to Hamilton was actively competed for by the two great Canadian Companies, the Grand Trunk and the Great Western. It was the key to a most important railway position, and the Great Western Company thought that if such a Line were constructed in the Grand Trunk interest, it would be a most serious invasion of their territory, and would prevent them from meeting the Grand Trunk upon equal terms in competition for the traffic of the West of Canada. Accordingly, in 1852, two of the Canadian Directors of the Great Western, Mr. Harris and Sir Allan Macnab, came to England to endeavour, in conjunction with Mr. Peter Buchanan, of Glasgow, who held a power of attorney from the whole Canadian Board, to promote the construction of the Hamilton and Toronto Line. They applied to Mr. Laing, as an influential and experienced railway official. Mr. Laing states that in the first instance he saw very great difficulties; and it was only after much persuasion, and much consultation with various other parties, that he was induced to interest himself in the negotiations which ensued.

apply to Mr. Laing to promote its construction.

Of course, the first thing to be done, before any person would venture to subscribe capital for such a line, was to induce a competent and responsible railway contractor to undertake it. The Canadian Directors decided to apply to Mr. Wythes; and Mr. Laing, being well acquainted with Mr. Wythes, made the application to that gentleman on their behalf. Mr. Wythes's reply to Mr. Laing was that he had no experience in American works, and was not inclined to engage in them. The several parties interested pressed him. Mr. Wythes still hesitated; at length he told Mr. Laing that he would only run the risk, if they—i.e. the parties concerned in promoting the object—would show their confidence in their own estimates by taking a share of his liability in case of failure. The Canadian Directors were not in a position to do this; but Mr. Laing, who was neither a Director, nor otherwise officially connected with any of the Companies, and who had assured Mr. Wythes that there would be no risk, undertook to show his confidence in the concern, by taking an interest in the contract to the extent of a third part of Mr. Wythes's liability. This appears to have been really done in the interest of the promoters of the Company, with the sole and only object of getting the contract taken up. If there had been any corrupt, unfair, or fraudulent object of any sort, it would have been a secret and underhand engagement, known only to Mr. Laing and Mr. Wythes. But, on the contrary, this arrangement was known to every party interested. Mr. Wythes's proposal respecting it was communicated in the first instance by Mr. Laing to the Great Western Directors who were promoting the Line, and it was at their urgent request and solicitation that Mr. Laing assented to Mr. Wythes's proposition.

They seek a Contractor,

and Mr. Laing negotiates with Mr. Wythes on their behalf.

Mr. Wythes requires parties to show confidence in object by sharing his liability,

and Mr. Laing takes a share of liability,

in the interest of the Company,

to get the contract taken,

and at the urgent request of the Promoters.

The Board see no reason to doubt the truth of Mr. Laing's assertion that the verbal understanding between himself and Mr. Wythes was never reduced to writing or rendered capable of being carried out in any practical form, and that long before Mr. Wythes had finished his work, Mr. Laing had put an end to the arrangement. The Committee offer no evidence to contradict this statement. To speak, therefore, of "the joint claims" of Messrs. Wythes and Laing under the contract seems simply an unjustifiable aspersion.

The Committee of Investigation very well knew that Mr. Laing never received one farthing under the contract: that it was a mere understanding to enable the Line to be floated, to assure the mind of Mr. Wythes in taking a contract in a strange country, entered into for the advantage of the promoters of the Company, and not for the advantage of Mr. Laing; and at their solicitation and not at the desire of Mr. Laing:—that it ceased when Mr. Laing became concerned in the conduct of the Great Western Company's affairs;—and that whilst the promoters of the Company profited by the facilities the

And that, whilst the Company were benefited,

Mr. Laing gained no advantage.

arrangement afforded them in going to the public, Mr. Laing never profited to the extent of one shilling by his share in the transaction.

Other allegations
against
Mr. Laing.

So much as to Mr. Laing's concern in the CONTRACT. But then it is said Mr. Laing was guilty of a fraud on the Shareholders by his subsequent acts: *first*, by signing the Contract in the capacity of "a Provisional Director and Trustee;" *secondly*, by "inducing the Company to vote a resolution, that the Hamilton and Toronto Line, when finished, should be leased by the Great Western Company;" and *thirdly*, "when no longer a Director, nor even a Shareholder, accompanying Mr. Wythes to the Board Meetings and (as the Committee are informed) advocating his claims."

1. That he signed the
Contract

as a "Provisional
Director"

DISPROVED.

The words having
only been introduced
into the recital by
mistake.

I. Mr. Laing himself explained to the Committee that he did not sign the Contract as a Provisional Director, although he was so styled in the Agreement. He did sign it as a Trustee, but even in that sense only as a Trustee for a special and peculiar purpose. The fact was, that there were no such persons as "Provisional Directors" at the time the Agreement was signed, and as a Trustee, Mr. Laing told the Committee (which they have thought fit to suppress in the Report) that "he was a Trustee simply for the limited purpose of seeing that the deposits paid in were paid over to the Agents of the Company,—the proper authority." The Committee say "that Mr. Samuel Laing, M.P., Mr. John Masterman, jun., and Mr. Peter Buchanan, were the Trustees;" and they lead the Shareholders to believe that they signed the Agreement with Mr. Wythes as "Provisional Directors and Trustees" in the order named. But a reference to the Agreement itself exhibits a very different state of facts, and shows that Mr. Laing, in reality, only had a secondary share in the Agreement which he signed, in his capacity of Trustee alone. Here it is, as cited in the evidence:—

"MEMORANDUM OF AGREEMENT made this 30th day of November, 1852, between "PETER BUCHANAN, of Glasgow, one of the Provisional Directors of the Hamilton and Toronto Railway Company, and ACTING AGENT in England for and on behalf of the said Company, *of the first part*; SAMUEL LAING, of Brighton, Esquire, Member of Parliament, and JOHN MASTERMAN the younger, of Nicholas Lane, in the City of London, two of the Provisional Directors of the said Hamilton and Toronto Railway Company, TRUSTEES for and on behalf of such persons in England as shall become Shareholders in the said Company, *of the second part*; and GEORGE WYTHES, of Reigate, in the County of Surrey, contractor, *of the third part*."

Mr. Buchanan, the acting Agent of the Company in England, who held the power of Attorney of the whole Canadian Board, was therefore the first party to this Contract with Mr. Wythes, and was the real representative of the Company for the purpose of carrying

it out. Mr. Laing and Mr. Masterman were made parties to the Contract mainly to enable them to execute formal documents in England, and to sign cheques for the deposits to be paid over; and the Board have lately learned that the words "Provisional Directors" were really inserted in the Agreement by the Solicitor's Clerk who prepared it, under a mistaken idea that the provisions of the Joint-Stock Companies Act applied to the case of a Canadian Company, which they do not.

II. Mr. Laing is further charged, as follows :—

"The Shareholders of the Great Western Railway were shortly afterwards, on the 10th May, 1853, *induced*, at a General Meeting, Mr. Samuel Laing, M.P. in the Chair, to vote a resolution that the Hamilton and Toronto Railway, when finished, should be leased by the Great Western Company, on certain terms. This lease was not executed, and without the knowledge or consent of the Great Western Shareholders an agreement, partaking more of the nature of an amalgamation of the two Companies, was in some way effected. The legality of the transaction is very doubtful."

2. Charge that, as Chairman, Mr. Laing "induced" the Shareholders of the Great Western Company to lease the Hamilton and Toronto.

The Committee wish it to appear from this, that Mr. Laing, being Chairman of the Great Western Company, and having made a corrupt and fraudulent agreement with Mr. Wythes, on behalf of the Hamilton and Toronto Railway, induced the Shareholders of the Great Western, for his own advantage, to execute a lease of the smaller line, which was afterwards set aside for some agreement of even a more objectionable nature.

Now, how do the simple facts justify such insinuations?

DISPROVED

The Grand Trunk Company were most anxious to secure the Hamilton and Toronto Line, but the Great Western proprietary were determined not to give it up. It was, therefore, resolved by the Great Western Company to lease the Hamilton and Toronto, and only allow the Grand Trunk a right to use it upon payment of a toll. An arrangement to that effect was come to, and in May, 1853, a meeting of the English Shareholders of both the Companies was called in London, for the purpose of confirming and adopting that arrangement. The meeting is reported to have been most "numerously and respectably" attended, and Mr. Laing was unanimously voted to the chair. He opened the business by thanking the meeting for the honour they had done him in asking him to take the chair, for, he said, "my right to occupy that position does not extend beyond that of any other Shareholder present." He then proceeded to explain the objects in view, and stated, in conclusion, that he thought "the adoption of the proposition of the Great Western Company would be politic and prudent." A discussion followed upon the general position

by the facts, which show that he was only "Chairman" of a public meeting at which the Shareholders unanimously agreed to do so.

and relations of the Canadian lines. In this discussion many gentlemen of the highest commercial standing and position took part:—Mr. Foster, Mr. Leo Schuster, Mr. James Baird, M.P., Mr. Laycock, Mr. A. Darby, Mr. Noble, Mr. Masterman, and Mr. Alexander Beattie, being amongst the speakers. Resolutions were ultimately unanimously passed, "That the proposed arrangement be adopted," and that "this meeting approves of the proposed lease of the Hamilton and Toronto Railway by the Great Western Railway of Canada, as the means most likely to secure the permanent interests of both lines." A vote of thanks was given to Mr. Laing "for his able conduct in the chair:" and the Shareholders separated.

Extraordinary character of this accusation.

It is upon this that the Committee of Investigation found an accusation against Mr. Laing, of having improperly "*induced*" the Great Western Company to lease the Hamilton and Toronto Railway. In the absence of any duly constituted Board in England, a public man and a large Shareholder attends one of your meetings, called for a specific object; is unanimously called on to preside; conducts the business of the day; receives your thanks for the way in which he does so; and then, eight years afterwards, is charged by a Committee of Investigation with having fraudulently "*induced*" you to do something for his own benefit and your injury!

When your Directors consider all the circumstances attending the Meeting in question, they cannot but express their astonishment at the temerity which could endeavour to make a charge against Mr. Laing out of such facts. The object to be accomplished was at that time considered to be most important to the interests of the Great Western Company, and the negotiations for its accomplishment had been carried out successfully. That a Committee of Investigation (not one member of which was, in 1853, connected with the Company) should, in 1861, pronounce all this a fraud, is, your Directors must submit, an affront to the judgment of every Shareholder who at that time was connected with the Company, and a course unprecedented in Railway history.

Subsequent substitution of the Agreement for the Lease,

But the Committee go on to say that

"The Lease was not executed, and that, without your knowledge or consent, an agreement partaking more of the nature of an amalgamation between the two Companies was in some way effected. The legality of this transaction," they add "was very doubtful."

shown to be for the interests of the Great Western Company.

Now the fact is, that the Agreement which was ultimately substituted for the Lease was adopted by the Great Western Shareholders because it afforded them more favourable terms than the Lease proposed to give them. Under the Lease, the Great Western guaranteed

to the Hamilton and Toronto a minimum dividend of 6 per cent. and a participation in whatever dividend beyond that amount might be paid by the Great Western Company. If that Lease had been carried out, the Great Western Company would now have to pay a sum of 17,527*l.* per annum in perpetuity, although the Great Western Shareholders themselves might be receiving no dividend whatever. The Amalgamation avoided this guaranteed payment, and effected a fusion of both interests. The question was fully reported upon to the Shareholders in the Report for the half-year ending 31st July, 1855; and at the General Meeting of Shareholders in Canada, held on 11th September, 1855, the following resolution was passed:—

“ That in the opinion of this Meeting it is desirable to adopt the recommendation contained in the Report this day read, for an amalgamation of the Hamilton and Toronto Railway Company with the Great Western Railway Company, and that the Directors be authorized and requested to take the necessary steps to carry the same into effect.”

At this Canadian meeting the bulk of the English Shareholders were represented by proxy, and the Report was unanimously adopted and circulated amongst the Shareholders under a resolution of the meeting.

The assertion of the Committee, therefore, that the amalgamation was substituted for the original lease “ without the knowledge and consent of the Great Western Shareholders ” is simply untrue.

III. The Committee further charge against Mr. Laing, that—

“ During the progress of the settlement of Mr. Wythes's claims, although no longer a Director, nor even a Shareholder, Mr. Laing accompanied Mr. Wythes to the Board Meetings, and, as the Committee are informed, advocated his claims.”

3. Charge that “ Mr. Laing accompanied Mr. Wythes to Board Meetings and advocated his claims.”

As to the earlier part of this case, it unfortunately happens that those gentlemen who could have given your Board the best information, namely, Mr. Peter Buchanan, the acting Agent for the Company in England, and Mr. Harkness, the former London Secretary of the Company, are both deceased.

Passing, however, from such earlier facts to the allegation now before them, that Mr. Laing, “ when no longer a Director, attended the Board and advocated Mr. Wythes's claims,” your Directors are enabled to afford very distinct evidence. In the first place, Mr. Gill, your President, writes as follows:—

“ Mr. Laing disqualified as a Shareholder in March, 1855, before the power to Robert Gill, Esq. vote by proxy was secured, and upwards of nine months before the settlement was made with Mr. Wythes, which was only arrived at after a protracted correspondence and a long negotiation. It is not true that after having disqualified Mr. Laing

(President.)

See Appendix, page 78.

"accompanied Mr. Wythes to the Board Meetings 'and advocated Mr. Wythes's 'claims,' as the Committee of Investigation have asserted, but he came to the Board 'to give us information relative to the Hamilton and Toronto Railway Company, 'which, from the fact of the majority of the Great Western Board knowing nothing 'of its early history, we were much in want of."

J. B. Smith, Esq. M.P.
See Appendix, page 79.

Mr. J. B. Smith, M.P. corroborates this statement. Mr. Smith writes :—

"When Mr. Laing ceased to be a Director, he came before the Board in a new character ; and if, on any occasion, he accompanied Mr. Wythes, which is doubtful, "there could be no objection to his doing so. He did not advocate Wythes's claims."

And, upon this question, your Directors have, further, the direct statement of Mr. Wythes himself. Mr. Wythes writes :—

George Wythes, Esq.
See Appendix, p. 75.

"It is not true, as the Committee assert, that, when I made my claims upon the 'Company for extra work, 'Mr. Laing accompanied me to the Board and advocated 'my claims.' He never accompanied me to the Board. On one occasion I believe he was present, when I attended with my solicitor to get a settlement ; but it is wholly untrue that Mr. Laing, on that or any other occasion, attended with me to 'advocate my claims. He could have no interest in doing so ; and, indeed, at the 'period when I made my claim, we were not acting in perfect harmony."

Mr. Laing, therefore, exculpated.

The Shareholders can now judge for themselves how far the Committee are justified in the charges they have adduced against an absent man.

Other points reported on by the Committee.

The settlement with Mr. Wythes

The questions between Mr. Wythes and the Company, relating to the Hamilton and Toronto Railway, involved upwards of 80,000*l.* claimed by Mr. Wythes for extras. The consideration of these claims occupied the careful attention of the Great Western Board for many months, and involved much correspondence with Canada. The matter indeed was not settled until November, 1855, when the English Board, to whom the matter had been remitted from Canada, came to a unanimous decision, that it was the most judicious course to compromise the dispute with Mr. Wythes by paying him 20,000*l.* beyond the amount of his contract. They preferred making this settlement rather than engaging in a suit at law or proceeding to a reference to Mr. Robert Stephenson, as the contract stipulated. Your Directors believe that all who are practically acquainted with the settlement of railway contracts will concur in the soundness of the general principle that reasonable compromises in such cases are in the end far more advantageous to the Company than either references or legal conflicts. But if the Shareholders think fit to reopen this question, Mr. Wythes professes himself quite willing to consent to a fresh decision.

shown to be advantageous,

See Appendix, p. 77.

And not (as the Committee have stated) "in spite of protests."

The Committee state that the settlement was made by the English Board, "in spite of the protests of the Canadian Management." There

were no such protests. The Board received numerous letters from Mr. Harris, Mr. Longsdon, Mr. Radcliff, and Mr. Brydges, giving their explanations and their views upon the different matters in dispute with Mr. Wythes, and all these letters were duly considered and discussed before the settlement was made. But so far from there being any protest from the Canadian Board, that Board, on the 21st December, 1855, passed the following minute, on the terms of the settlement being communicated to them :—

“ That the arrangement made with Mr. Wythes was highly favourable to that gentleman ; but taking the nature of the contract and the difficulties of arbitration into account, the Board considers that the London Directors have made a settlement with Mr. Wythes which has their full approval.”

The Committee allege as one of the instances “ of the deception practised first on those who subscribed the capital, and subsequently on the Great Western Shareholders,” that the Hamilton and Toronto Railway has cost 418,672*l.* instead of 328,000*l.*, which was the amount of the original contract. The last, however, only included a small quantity of rolling stock and Stations, and left an extension of about a mile and a half to be made to form a connexion with the Grand Trunk Railway at Toronto. The Directors’ Report to the Great Western Shareholders, for the half-year ending January 31st, 1855 (long before the settlement with Mr. Wythes was made), openly and undisguisedly stated that “ These several items will require this Company to expend “ probably 100,000*l.* currency, “ equal to 80,000*l.*” sterling, beyond “ the contract.”

The outlay on the Line shown to have been less than contemplated, and to have included extra rolling stock and works.

The Share Capital authorized by the Act of Incorporation amounted to 369,000*l.* sterling, with power to borrow 80,000*l.* in addition ; thus making the total estimated cost 449,000*l.*, and, as the actual cost of the Line has been only 418,672*l.*, it is thus 30,000*l.* below the original estimate.

III.

DETROIT AND MILWAUKEE RAILWAY.

CHARGES OF THE COMMITTEE CONCERNING THE BOND ISSUE.

MAP

It is necessary that all who are not thoroughly familiar with the position of the Great Western Railway should refer to the Map appended to this statement, in order to obtain a clear view of the character of the Line of which your Directors are now about to speak.

ultimate connexion

between

the Detroit and Milwaukee

and the Great Western of Canada.

The Great Western Railway of Canada runs through the West of Upper Canada from Niagara Falls to Windsor, on the river which connects the upper with the lower lakes of the province. On the other side of that river lies the American State of Michigan, and the important and rapidly increasing city of Detroit. An American Company some years back proposed to carry a Railway across the State of Michigan from Detroit to Lake Michigan on the same principle that the Great Western was carried across the Province of Upper Canada. This Railway, now called the Detroit and Milwaukee, was made in sections. Ultimately it reached, as the Map shows, from the city of Detroit to the important port styled Grand Haven on Lake Michigan, from which it communicated by steam vessels with the port of Milwaukee, in the state of Wisconsin, on the other side of the Lake, a port of the greatest commercial importance as a Railway centre, and as the shipping port of the greater portion of the produce of the States of Wisconsin, Minnesota, and Iowa.

Great importance of the Detroit and Milwaukee as a feeder to the Great Western Company.

A survey of the Map must convince every one that this Detroit and Milwaukee Railway was of the greatest importance as a feeder to the Great Western, of which it is, in fact, an extension of 185 miles. It was calculated to secure for our Line the traffic from the west side of Lake Michigan. But more than this, it presented itself to the Great Western as the means of averting a competition most likely to be injurious to our system. It will be observed, that whilst the Great Western runs on the north parallel of Lake Erie, there is upon the south side of the Lake a series of American Lines called the Lake Shore System, which communicate with Lake Michigan by another American Railway called the Michigan Southern, and that farther south still other Lines exist, connecting Chicago with the Atlantic. Without the Detroit

and Milwaukee Railway the produce of the district around Lake Michigan would pass to Chicago, and from Chicago eastward to the ports of shipment, by the American Lines, or by water to Buffalo. By means of the Detroit and Milwaukee Railway, the Great Western can intercept a great part of this traffic, and pass it over its own Line. If, therefore, it is an object with the Great Western Company to secure the trade of the districts bordering on the great Lakes, and of the corn-producing States of Michigan, Minnesota, Wisconsin, and Iowa, the possession of a Line from Detroit to Lake Michigan and Milwaukee is of the first importance.

The view which was taken by your Directors of the value of this Line to the interests of the Great Western, was greatly strengthened by the Reports which were from time to time addressed to them by the Board and officers of the Company in Canada; amongst others, by Mr. William Longsdon, who was Vice-President of the Company in 1854 and 1855, and who from his railway experience in this country was specially elected by the English Shareholders to that office for the purpose of advising as to the position and prospects of the Company. Mr. Longsdon addressed the Board upon the subject on several occasions. On 20th January, 1855, he wrote—

Mr. Longsdon's Reports on this subject in 1854—5.

“The Oakland and Ottawa Railway (afterwards called the Detroit and Milwaukee), which is likely to be completed in all next year, will bring a great increase of passengers and business to Detroit, and probably will be another large feeder to the Great Western.”

On March 17th, 1855, he wrote—

“There is no doubt of the great importance of the Detroit and Milwaukee to this Company, and I believe it will bring, when fairly in operation, a traffic as valuable to the Great Western, as that now derived from the Michigan Central, and consequently it is our interest to support and aid the Detroit and Milwaukee as far as we can.”

It was in consequence of such considerations and Reports as these that the Directors of your Company thought it right to give every encouragement and assistance to the Detroit and Milwaukee. Early in 1856, a traffic arrangement was entered into between the two Companies, and the English Board of the Great Western agreed to afford the Detroit and Milwaukee Company their assistance in obtaining capital to complete their Line. The object was not immediately successful, because the Great Western themselves were issuing new Shares which appeared to capitalists to offer superior advantages, and which they therefore took in preference to subscribing to the capital of the Detroit and Milwaukee. At a later period however of the same year, the Great Western had obtained its capital, and it was then determined to endeavour to float the Detroit and Milwaukee. The first attempt was in February, the second was in July, 1856. In the intermediate period, negotiations had been entered into by the Detroit and Milwaukee Board with

Encouragement consequently given to the Detroit and Milwaukee.

Circular issued on assurances of Mr. Walker, the Chairman of the Detroit and Milwaukee.

See Appendix, pages 83 and 84.

Precautions taken by the Board.

Mr. Wythes, the great contractor, to take up and complete certain portions of the Line. The Railway was 185 miles long ; of these it was proposed to Mr. Wythes to complete 75 for a sum of 500,000*l.*, to be paid half in Shares, and half in cash, when Mr. Walker, the Chairman of the Detroit and Milwaukee, again applied to the Board of the Great Western to assist his Line in floating their Bonds. Upon the assurance that the contract with Mr. Wythes had been entered into, the Board consented to issue a circular amongst their Shareholders, and to recommend them to take up the bonds as a matter of importance and benefit to the Great Western itself. The Board however took such precautions as suggested themselves for the protection of the parties interested. A part of their resolution to send out the circular ran as follows :—

“ Before the above-mentioned Circulars are issued, the Secretary to be satisfied “ that the contract with Mr. Wythes to complete the Detroit and Milwaukee Railway is “ executed by both parties, and that Mr. H. N. Walker has legal power on behalf of “ the Detroit and Milwaukee Directors.”

The Secretary did satisfy himself upon these matters, and there are now in the offices in London properly certified copies of the authority under which Mr. Walker was acting, as well as of the contract entered into on the part of the Detroit and Milwaukee Company with Mr. Wythes, and of a Resolution of that Board, under the corporate Seal of the Company, confirming the contract.

Mr. Wythes's contract.

See Appendix, pages 75 and 76.

The contract with Mr. Wythes having been made, your Directors considered that they were tolerably safe in the hands of so responsible a contractor, and regular payments were accordingly made to him upon the terms of the agreement. In January, 1859, when the money had all been paid, and the contract was supposed to be at an end, your Board learned with astonishment that Messrs. Walker and Trowbridge had thought proper to take a sub-contract from Mr. Wythes as described by the Committee, which sub-contract was subsequently adopted by the Detroit and Milwaukee Board, but was maintained a profound secret from your Directors. The indignation of your Directors and the strong terms employed by them at the time in writing to Canada upon this subject when it came to their knowledge are well known to the Committee, though it does not suit them to allude to the fact ; but, as usual, they put the chief blame on the wrong parties. Your Directors cannot defend Mr. Wythes, whose letter they publish in the Appendix, but there is no doubt that his responsibility as a contractor never ceased ; that he had a legal right to sub-let his contract to whom he liked without informing any one, and that your Company was after all only a secondary party to the agreement. But of the part taken by Messrs. Walker and Trowbridge, and subsequently concurred in by the Detroit and

Milwaukee Board, your Directors will only allow themselves to say that such proceedings are happily unknown in this country, but form one of the difficulties to be encountered in America. When the discovery was made, it was too late for your Directors to take any useful action. We had no claim against Mr. Wythes; we were in actual possession of the Line itself, and your Directors would hardly have benefited the Bondholders or the security they held by making such a transaction public. As to the retention of the original contract, your Directors cannot see with what object the Committee allude to it. Your Directors had a certified copy, and they repeat that Mr. Wythes never shrank from or questioned the validity of the contract or his responsibility under it. The possession of the original contract had no bearing or influence on the matter.

IV.

DETROIT AND MILWAUKEE RAILWAY.

ISSUE OF FREE LAND SHARES.

Charge against Directors for assisting the Detroit Company to issue their

FREE LAND SHARES.

THE Committee make it a charge against your Directors that in the year 1857 they were guilty of "a most improper proceeding," in endeavouring to assist the Detroit and Milwaukee Company to dispose of an issue of 20,000 Shares, known as the "Free Land Shares," which were proposed to be issued at 10*l*. 5*s*. per Share, subsequently reduced by authority of Mr. Walker, the President of that Company, to 7*l*. 13*s*. 9*d*. per Share, with an appropriation of 50,000 acres of land upon the Line as a bonus;—equal to two and a half acres for each share. Of these Shares, about 2,500 were taken in this country, realizing about 20,000*l*.

The Committee have not the candour to state that when it was found that but few Shares had been taken up under the first offer, a circular was addressed to each Shareholder, giving them the option of becoming holders at the reduced price, or *proposing to return the money subscribed, and that it was so returned to every one who desired it.*

Objects of the Issue.

The issue of these Shares by the Detroit and Milwaukee Company was necessary, as the Committee themselves quote from the Prospectus, "to provide for a larger traffic on the Detroit and Milwaukee Line, "and to purchase rolling stock and complete stations, warehouses, and "wharves, not included in previous contracts."

Importance of those objects to the system.

The Directors were aware that the works on the Detroit and Milwaukee Line had been vigorously prosecuted in 1856 and 1857, and they expected that the whole Line would be ready to be opened by the end of the latter year. It was as important for the Great Western as it was for the Detroit and Milwaukee that rolling stock and stations should be provided to work the Line, and that provision should be made for the traffic that was expected. Everything that assisted the Detroit and Milwaukee was beneficial to the Great Western; and your Directors, in that conviction, felt it their duty to you to do what lay in their power to enable the Detroit and Milwaukee Company to raise the money they required on the terms offered.

What did lay in their power was, to authorize their Secretary to issue the proposals of the Detroit and Milwaukee Company, upon the representations of the accredited agents in London of that Company, accompanied by a circular explaining the nature of the security proposed. Your Directors, however, did not authorize this without taking proper precautions. They required to be supplied, and were supplied, with copies of the Acts of Congress granting the lands. They took steps to have those lands properly secured to Trustees for the benefit of the Company, and they saw that the deeds were executed by the proper authorities of the State of Michigan.

Authorization to send out a Circular,

proper precautions being taken for public security.

The operation of raising the large sum required for rolling stock and stations having only very partially succeeded, and the Detroit and Milwaukee Company being in the meanwhile in temporary financial difficulty, the small portion actually raised was advanced to Mr. Wythes in the way described by him in his letter in the Appendix.

Statements of the Committee that the money has been misappropriated,

The Committee state that "the Subscribers for these Shares have been grossly deceived by the Detroit and Milwaukee Company, *the land promised never having been LEGALLY at the disposal of the Company.*" There is no doubt but that the Directors of the Great Western Company were deceived on some important matters by the representatives at that time of the Detroit and Milwaukee Company; but this land grant was not a misrepresentation, and your Directors cannot but express their astonishment that the Committee should have endeavoured to attach blame to them for their proceedings in relation to this subject.

and that the Subscribers have been deceived,

emphatically denied

In consequence of an attempt to subject the Company to a larger taxation than that to which they were fairly liable on account of these lands, negotiations arose with the State of Michigan, and the final acceptance of the lands from the State by the Detroit and Milwaukee Company was *purposely* delayed until those negotiations were adjusted. But all difficulty has since been removed by special legislation in the State of Michigan. The deeds conveying the land to the Company have long been properly executed, and nothing is needed to complete the transaction but the final acceptance of the grant on the part of the Company. For all practical purposes the lands are in the possession and under the control of the Company; and the statement of the Committee "that they have never been *legally* at the disposal of the Company," is only calculated needlessly to alarm the parties interested.

and entirely refuted.

V.

LOANS TO THE DETROIT AND MILWAUKEE.

Charges against Directors of having improperly advanced Loans to Detroit and Milwaukee Company,

and having received money payments from the Detroit and Milwaukee.

The Facts stated.

The Detroit and Milwaukee having failed to issue their Free Land Shares, fell into difficulties,

and in September, 1857, applied to Great Western of Canada for a Loan,

IN assisting the Detroit and Milwaukee Company to float their bonds and land shares, it was scarcely possible even for the Committee of Inquiry to contend that your Directors had done anything pecuniarily injurious to the Great Western Company of Canada. These matters, therefore, appear mainly to have been brought forward to support the still more serious allegations which follow, to the effect that your Directors most improperly induced you to advance two Loans of 150,000*l.* and 100,000*l.* to the Detroit and Milwaukee Company; that they did so without duly protecting your interests; and, above all, that the members of the Board then in office, with the Secretary and the Registrar, received direct money payments from the Detroit and Milwaukee Company for effecting the arrangement.

Your Directors will consider these charges under the several heads of—I. The Policy of the Loans. II. The Security obtained for them. III. The Charge against your Board and Officers.

I. *The Policy of these Loans.* The attempt of the Detroit and Milwaukee to raise money on their free land shares had proved a partial failure. It was made in July, 1857; and, in September, 1857, the Detroit and Milwaukee Company had fallen into serious difficulties, and on the 7th of that month an application was made to your Board, on the part of the Detroit and Milwaukee Company, for a Loan.

Your Directors continued to be influenced, in 1857 as in 1856, by considerations of the great importance of securing the Detroit and Milwaukee Line in the Great Western interest. Up to the period in question they had confined themselves to circulating the proposals issued in England by the Detroit and Milwaukee Company. Your Directors knew that unless money was obtained from some quarter, the Detroit and Milwaukee Company could not complete their Line and provide rolling stock and stations. They knew also that means must be found by that Company to meet the interest upon their bonds before the Line could be opened and earn revenue. Considering the financial position of Europe and America in the autumn of 1857, it was not surprising that the Detroit and Milwaukee Company should need a loan, or that they should ask the Great Western of Canada for such assistance.

to complete their Line and provide rolling stock.

The Directors were by no means alone in their desire to aid that Company. The application of the Detroit and Milwaukee Company was supported and even pressed upon them by some of their largest Shareholders; but by none more warmly or energetically than by a gentleman whose name appears appended to the Report of the Committee of Investigation of which he is a member. Mr. Robert Kaye, of Glasgow, became a Shareholder in the Great Western, in which he always exhibited a lively interest, in 1854. In 1856 he became a Subscriber to the Bonds of the Detroit and Milwaukee. In 1857 he took some of the free land shares. He knew that the latter scheme had only very partially succeeded. He kept himself in constant communication with the representatives of the Detroit and Milwaukee Company, and in the summer of 1857 he went to America, personally inspected the Detroit and Milwaukee Line, spent some time in informing himself of its merits, travelled over the Line in its then incomplete state, and then crossed to the other side of Lake Michigan to examine for himself into the prospects of the through traffic that would flow over the railway.

By whom their application was supported.

Mr. R. Kaye, a member of the Committee of Investigation.

Mr. Kaye's knowledge of the whole question was therefore even greater than could be possessed by any of the Directors then on your Board, and the result of his investigation and inquiries was forwarded to London in the following terms, reaching the Board just before they made their recommendation to the Shareholders to make a loan to the Detroit and Milwaukee Company:—

Mr. Kaye's personal knowledge of the subject.

"NEW YORK, 26th September, 1857.

"DEAR SIR,—Since I arrived in this city I have been informed that the land shares of the Detroit and Milwaukee Railroad have not been taken up by our Shareholders. As I have been so very recently over it, and although within an hour of the mail leaving, I venture to give you my idea of this Line in a very few words.

Mr. Kaye's letter to your President.

"I have gone over the Line from Detroit to Grand River, a few miles beyond Ionia, and driven alongside it to Grand Rapids. I have also been over several of the lines in Wisconsin to the Mississippi, and have sailed up that noble river from 300 to 400 miles to St. Paul. I have thus seen the numerous resources this road has even now—I will not hazard to speak of the future. Besides Wisconsin there is Minnesota and Iowa, on the Upper Mississippi, which even now have a large traffic. This they are certain to get the whole of, to and from the East, when the La Crosse road is opened. I have, therefore, to say that I feel a confidence in this Line greater than I dare express to you. From the state of the money market in this country, they can have no hope at present of getting any assistance. It is the MORE IMPERATIVE, therefore, that you, and your brother Directors, should devise some mode of assisting them, so as to get their Line completed by the spring. I feel that my interest, as well as every Shareholder in the Great Western of Canada, will be greatly improved by the traffic we shall get to our Line from this quarter, and I can fancy nothing more suicidal than for us, the Great Western Shareholders, to leave them to struggle through themselves.

"I hope, therefore, you will have taken up this matter at the Board, and that by some means they will be enabled to finish by the spring.

"With regard to our own Line, the Great Western of Canada, I have to say that it appears to me to be one of the best, both as regards management and otherwise, I

"have seen in America. I think, however, there might be some improvements in some matters, such as the buying of tickets, &c. I consider this a very bad system, and one that could very easily be put a stop to ; indeed, I was pleased to see at Washington, that the station was inclosed, and every passenger had to show his ticket before getting to the platform.

"If you and another of your brother Directors were to visit the Line, I feel assured you would be pleased with it, and with Mr. Brydges. It might be made one of the most popular roads in the world. Pray excuse these very hasty remarks,

"And believe me to be,

"Very respectfully,

(Signed) "ROBERT KAYE."

"ROBERT GILL, Esq. London."

That this very gentleman should, in 1861, sign the Report of the Committee of Investigation condemning in the severest language the whole of the transactions which his letter of 1857 declared to be so IMPERATIVE seems rather hard.

The Board act on these representations, and propose to Shareholders to advance a Loan,

These and other representations tallying so much with the opinions of your Board, derived from official sources, your Directors, at the Meeting of Great Western Shareholders, held in London on the 8th of October, 1857, proposed :—

"That the Directors should be authorized to advance to the Detroit and Milwaukee Railway Company such an amount, not exceeding 150,000*l.*, as may be necessary to secure the completion of the Railway across Michigan, in connexion with the Great Western of Canada, such advance being made as a temporary loan on sufficient security, the expenditure of the same being subject to the control of the Great Western Railway."

to which the Shareholders unanimously agree.

This resolution was unanimously adopted by one of the largest meetings of Great Western of Canada Shareholders that was ever assembled, and it should be mentioned that, previous to the meeting, a circular had been issued to each Shareholder saying that as financial measures of great importance were proposed to be brought before them as stated in the Report, each proprietor was requested, if unable to attend, to give his individual opinion.

Precautions taken to secure proper application of the money.

II. *The Security obtained.* It is imputed to your Directors that in recommending their Shareholders to make this loan they did not take sufficient precautions to ascertain the position of the Detroit and Milwaukee Company, or to secure the proper application of the money.

It is further stated by the Committee, that—

"Three days before the Meeting of Shareholders Mr. Brydges received a letter from Mr. Trowbridge, the Secretary of the Detroit and Milwaukee Company ; and which letter he says he laid before the Great Western Directors, containing a report upon the state of the Company's affairs at that time wholly at variance with all previous statements furnished to the Great Western Directors, and with the representations of the Chairman at the Meeting of Shareholders."

In answer to this most serious charge the Directors beg to state that the letter referred to from Mr. Trowbridge was not opened by, or seen by, any Member of your Board till two or three days after the Meeting. Mr. Baker, as well as Mr. Brydges, fully explained to the Committee the circumstances under which this happened, as detailed at length in Mr. Brydges' letter in the Appendix. The assertion of the Committee, therefore, that the Chairman, after having read that letter previous to the Meeting, deliberately made statements to the Shareholders at variance with it, is a groundless and unworthy calumny.

After the authority to make the Loan was obtained, it unquestionably came to the knowledge of your Directors that the Detroit and Milwaukee Company were more deeply involved than they had reported themselves to be when they made their application for the loan. This circumstance, however, only made your Directors more cautious as to the application of the money, and to ascertain whether it would accomplish the main object of opening the Line. They immediately issued instructions that Mr. Reynolds, the financial manager of the Great Western Company, should scrutinize the books of the Detroit and Milwaukee Company. He did so, and reported to your Board on Nov. 2d, 1857, that whatever might be the involvement of the Detroit and Milwaukee Company, the advance of 150,000*l.* would be sufficient to meet the claims of the secured creditors, and open the Line.

The financial manager instructed to investigate the affairs of the Detroit and Milwaukee Company.

Whilst his inquiries were pending, your Directors felt bound to protect the credit of the Company by advancing the money required for the payment of the interest, which they consented to do to the extent of 20,000*l.* With respect to the proper application of the loan, a series of resolutions appear upon the minutes under date October and November, 1857, laying down a strict code of instructions for its disposal, the last of which is as follows:—

Resolutions passed by the Board.

"That it be left to the discretion of Mr. Brydges and Mr. Reynolds, after complete investigation of the Detroit and Milwaukee accounts, and after having made such arrangements with the Creditors forming the floating debt as they may deem satisfactory, to close up existing sub-contracts for works, Mr. Wythes having expressed his willingness to relinquish his contract on payment of a balance not exceeding 5,000*l.* due to him, or to stop all further expenditure on the works except what is actually necessary for working the Line, or to cause the continuance of the works to be proceeded with as far as or beyond the Grand Rapids, it being well understood that the basis of any advance of funds by the Great Western Railway for this purpose is that the expenditure shall be wholly under the direction and control of Mr. Brydges and Mr. Reynolds, and that such outlay shall not in any manner be jeopardized by the claims of existing creditors of the Detroit and Milwaukee Company."

Armed with this authority, Mr. Brydges left England on the 14th and arrived in New York on the 26th November, 1857, to take such steps to secure the completion of the Line as, after due investigation

Instructions and authority given to Mr. Brydges and Mr. Reynolds in Canada.

and successful arrangements with the creditors of the Detroit and Milwaukee Company, he and Mr. Reynolds might consider most desirable. Immediately on his arrival in America, these gentlemen applied themselves to carry out the orders of the Board; and, on the 28th December, 1857, they addressed their first detailed Report upon the subject to the Board in London, stating the arrangements they had made with the secured creditors for the postponement or payment of their debts and also for the carrying on of the works, so as to effect the immediate completion of the Line.

Security obtained by them for repayment of Loan.

Whilst Messrs. Brydges and Reynolds were thus occupied in carrying out the objects for which this Loan was made, they also engaged themselves in obtaining security for the repayment of the money. That security was certainly as complete as the Detroit and Milwaukee Company could offer. A third mortgage was effected in favour of three members of the Canadian Board of the Great Western Railway, securing to those gentlemen, as Trustees, the whole of the Detroit and Milwaukee Line, and placing the whole of its affairs in the entire control of Directors, to be nominated from time to time by the Great Western Company, the deed of mortgage being most stringent in its covenants.

The Detroit and Milwaukee mortgaged to and placed under sole control of the Great Western of Canada.

About this time, the embarrassed state of the London money market began to interfere so seriously with the contemplated arrangements for advancing money to assist the Detroit and Milwaukee Company, that the Directors wrote to Mr. Brydges the letter of December 18th, 1857, referred to by the Committee, impressing very strongly upon him the necessity for exercising additional caution, and strictly forbidding him from entering into any engagements on their behalf; this letter did not reach Mr. Brydges until the 9th January following, before which time Messrs. Brydges and Reynolds had made all their arrangements in pursuance of the instructions given to Mr. Brydges when he left England on the 14th November, 1857.

These arrangements being in accordance with the powers granted to Messrs. Brydges and Reynolds, and the money market having materially amended, the Board did not hesitate to confirm them in their letter of the 26th January, 1858.

Your Directors do not deny that they have been disappointed in their expectations from the Detroit and Milwaukee connexion; but it is one thing to be mistaken, and it is quite another thing to have misrepresentation imputed to them.

The advance advantageous to Great Western of Canada;

And it is to be observed, that the bargain, even taking the least favourable view of it, is by no means a disadvantageous one for the

Great Western Company. For this advance, and for the advance of 100,000*l.* which was subsequently made, also upon mortgage, the Great Western Company of Canada have secured to themselves the absolute control of this important line of Railway, 185 miles long, running through a thriving and improving territory, and securing to our Line the monopoly of the traffic of the great Western States of America passing in transit through Canada. Your Directors would venture to ask their Shareholders, what railway company would not gladly purchase for 250,000*l.* the entire control over 185 miles of railway, forming an extension of its own system? It must be remembered that ever since the Line was opened we have had a succession of bad harvests, but for which it would have been in a very different position.

Since the opening of the Detroit and Milwaukee Line, it has been computed by our officers in Canada that it supplies additional traffic to the Great Western Railway, which would probably not have been secured without it had been in operation, to the extent shown in the following statement, viz. :—

	Dollars.	Cents.
Half-year ending 31st July, 1859 . . .	59·591	· 01
„ 31st January, 1860 . . .	87·728	· 44
„ 31st July, 1860 . . .	85·097	· 64
„ 31st January, 1861 . . .	115·223	· 00

They state also that this additional traffic has been carried without the necessity of running any additional trains.

If, instead of securing this Detroit and Milwaukee Line, your Directors had neglected to obtain the control of it, and had allowed it to pass into other hands, what then, they will venture to ask, would have been the position of the Great Western Company? The Grand Trunk would have been in competition with us at Detroit under circumstances of great advantage to that Line. The trade of the northern portion of the State of Michigan, now secured to our Company, might have been carried by the Grand Trunk, and in so far the through traffic of the Great Western would have been materially damaged.

III. *The Charge against your Directors.*—But the Committee of Investigation have reported to you that your Directors were bribed by the Detroit and Milwaukee Company to effect these arrangements.

The charge against Directors of receiving 2,400*l.* gratuity and 100 Shares of Detroit and Milwaukee fully paid up.

The Committee allege this bribe to have been administered in the form of a gratuity of 2,400*l.* to be paid “to the members of the London Board, and the staff at the office,” together with 100 Shares of the Detroit and Milwaukee Company, “fully paid up,” which were transferred into the names of “each of the Six Great Western Directors.”

THE CHARGE ANSWERED.

The simple facts are these :—

"The 100 Shares, fully paid up," shown to be only

"QUALIFICATION SHARES."

By the arrangement under which the Detroit and Milwaukee Railway was placed in the sole control and management of the Great Western Company, it was agreed that the London Directors of the Great Western Company, as well as Messrs. Brydges and Reynolds in Canada, should become Directors of the Detroit and Milwaukee Railway in order to protect the interests of your Company. For this purpose it became necessary that they should be duly qualified as Directors of the Detroit and Milwaukee; and, accordingly, 100 Shares were duly transferred into the name of those Directors, for the purpose of affording them a qualification. But it was understood that upon resignation of office each Director would return these Shares to the Company. Accordingly Mr. Hoyes on his retirement from the Detroit and Milwaukee Board in November, 1859, returned there and then his one hundred Shares. Mr. Govan on his retirement did the same, and the executors of Admiral Laws have also returned the Shares formerly held by that gentleman. Messrs. Gill and Cullen, as also Messrs. Brydges and Reynolds, being still Directors of the Detroit and Milwaukee Company of course retain their respective qualifications. Your Directors have further to observe, that the Committee of Investigation were fully acquainted with these facts when they imputed to your Board that the 100 Shares were transferred to and accepted by each member of your Board for a corrupt purpose.

As to the remuneration derived from the Detroit and Milwaukee Company such members of your Board as participated therein had no idea or intention that that Company was to have the benefit of their services, whether as agents or as Directors, without remuneration. The business committed to them occasioned much care and anxiety, and the sums allowed for their services were far below what they must have cost that Company had any other agency been selected. Whatever difficulties a railway may be involved in, it has never yet been suggested that those difficulties should be overcome at the sacrifice of gentlemen giving up their time and their labour to the task without remuneration.

As to the unworthy insinuation that the London Board were actuated in their advocacy of the Detroit and Milwaukee claims by the pecuniary advantages to themselves, the gentlemen implicated repel the slander with the contempt that it merits, and appeal to every previous action of their lives as a refutation; they advocated the claims of the Detroit and Milwaukee Company for assistance from the Great Western Railway in a well founded belief that its early

completion would materially add to the prosperity of the Great Western, from, in fact, the precise same motives which they believe actuated Mr. Kaye when he wrote the letter on this subject to which your attention has been already directed. The transaction was treated like any other matter of business. The Secretary and Registrar of the Great Western Company were remunerated for the trouble the business had given them, and when the arrangements were perfected those officers were put on a permanent salary. These salaries and the Directors' remuneration have all fallen into arrear, in common with other engagements of the Detroit and Milwaukee Company, but the claims nevertheless exist, and will be made when the future prosperity of the Company permits.

The whole matter was placed on the minutes, like any other transaction; and, like any other transaction, placed under the notice of the Committee of Investigation.

The way in which the Committee of Investigation have endeavoured to prove that the Shares and money above referred to were offered to your Directors and officers as bribes, is no less unwarrantable than the charge itself. The Committee state that from October to December, 1857, your Directors were "very firm" in refusing to allow the appropriation of any part of the Detroit and Milwaukee Loan until the affairs of that Company had been investigated.

The charge that Mr. Brydges intended to offer these payments as bribes,

REFUTED

"The Secretary's letters," they say, "from week to week reiterated such determination, and on the 18th December the Secretary wrote Mr. Brydges, strongly urging him to maintain his position with unrelaxing severity, . . . and strictly forbidding him to enter into any engagements that funds would be forthcoming, for creditors or works or for anything else. *This letter (add the Committee) appears to have alarmed Messrs. Brydges and Reynolds, who in a joint letter to the Directors of the 28th December, 1857, say that Mr. Baker's letter had put them in a most painfully awkward position.*" . . . "On the same day Mr. Brydges also wrote to Mr. Gill, the Chairman, urging his views, and intimating that there were a few matters Mr. Gill and his colleagues ought to know 'hardly worthy of being officially alluded to,' hoping the Directors would like the arrangements for the outlay of the Loan, and stating that the Detroit and Milwaukee Directors had authorized payment of agency expenses to the extent of 2,000*l.*, to be paid out of the Loan, and also 400*l.* to the office, as suggested by Mr. Govan. *This letter (add the Committee) appears to have had the desired effect.*"

by the Committee's own statement of facts :—

The Committee tell the Shareholders that the Secretary's letter of the 18th December "alarmed Messrs. Brydges and Reynolds," who thereupon, in their letter of December 28th, administered the bribe which "had the desired effect." Now, the dates at once falsify the accusation, for when Messrs. Brydges and Reynolds are said to have been so alarmed by the Secretary's letter as to have thought it necessary to administer the bribe, *they had never received the Secretary's letter at all!*

The letter which they state to have rendered the bribe necessary, not having been received by Mr. Brydges when he announced the payments.

Complete Disproval
of the Allegation.

The Secretary's letter was written on the 18th December, and could not by any possibility have reached Canada on the 28th of that month, and in point of fact *Messrs. Brydges and Reynolds did not receive it until January 9, twelve days after the date of their own communication!* The Committee, when they made this mis-statement, were fully aware of the facts.

The Committee further state that this bribe was conveyed in what they would desire you to infer was a private and confidential letter addressed by Mr. Brydges to Mr. Gill. It is right that you should know that this letter although written to and received by Mr. Gill in the form of a private letter, was at once placed by your Chairman before the Board, was duly recorded in the minutes, and has always remained on the file, where it was found by the Committee. There was no sort of secrecy, therefore, about the transaction, but everything was done in the usual course of office business.

These payments not
made (as the Com-
mittee assert) out of
the Loan.

It ought to be observed, also, that the facts contradict the inference of the Committee, that these payments could only be made out of the loan. The following figures will show that the Detroit and Milwaukee Company had other resources—

There has been expended for works, including Stations and rolling stock, actually executed or supplied between the time the Great Western Loan was granted and September 30th, 1860	£302,541	10	6
Of which the Great Western Loans provided	250,000	0	0
Excess	£52,541	10	6

In addition to this excess of expenditure of Capital beyond the amount of the Great Western Railway Loans, very considerable sums have also been paid for Interest on the Detroit and Milwaukee Company's Bonds during 2½ years, for old debts due by the Company, for payments to Directors, &c.; these sums amount to about 200,000*l.* and which, together with the above excess of 52,541*l.* have been provided for out of traffic earnings, or advances from Bankers and other sources, and these latter items form the floating debt of the Company, for which it is proposed to issue preference Shares, ranking after the securities held by the Great Western Railway.

The fact of Mr. Brydges having been voted the sum of 4,000*l.* at this time by the Detroit and Milwaukee Board, was only made known to your Directors collectively, or individually, by the perusal of the Committee's Report. Your Directors do not attempt to defend or justify in any manner Mr. Brydges' conduct in accepting this sum of money. Under ordinary circumstances it would have been their duty to have decided upon the course necessary to pursue towards Mr. Brydges

after such a revelation ; but under all the circumstances of the case, your Directors prefer leaving the matter to the decision of the same tribunal by which their own conduct has to be judged. Mr. Brydges' own explanation of this transaction will be found in the Appendix. See Appendix, page 69.

It is proper to add, that since Mr. Brydges and Mr. Reynolds became officially connected with the Detroit and Milwaukee Company, these gentlemen have been in receipt of salaries from that Company, with the knowledge and approbation of this Board, and that the experience and ability of those officers as shown in their past services to the Great Western Company, under circumstances of great difficulty, are undoubted.

Adverting to the sum of 7,900*l.* advanced by Messrs. Brydges and Reynolds to the Port Huron and Milwaukee Railway, it was unquestionably an irregular proceeding, but the Board, at the time, considered that the payment had been made in perfect good faith with the sole desire of carrying out what was supposed to be the policy of this Company, and serving its interests at a very critical period ; and as Messrs. Brydges and Reynolds had incurred in this matter a personal responsibility, the London Directors felt called upon to allow the payment, and it was subsequently confirmed by the Canadian Board. The amount was always included in the item of "Amounts due to the Company," and has remained in the general balance-sheet, in the hope that it may be some day recovered. Expenditure on Port Huron Railway.

With respect to the charge of your Directors "having suppressed the knowledge they possessed of the real state of affairs," upon their application to the Shareholders for a second advance of 100,000*l.* to the Detroit and Milwaukee Line, in October, 1858, your Directors beg to say, that the Board was perfectly satisfied that it was for the interest of the Great Western Railway to make the advance for the purposes specified, and fully explained at the time, in accordance with the general policy already detailed ; but they thought it as undesirable as it would have been unusual, to damage the property they wished to assist, by publishing all its difficulties.

VI.

THE MAIN LINE.

Ancient legends

related by the Committee

THE Committee of Investigation was appointed, as its promoters explained, to inquire into our relations with other Companies, and to devise measures for the future management of the Company calculated to benefit the interests of the Great Western Shareholders. Your Directors refer Shareholders to the pages of the Report on which they are now about to dwell, in order that they may form a judgment as to the mode in which the Committee has performed its task. In the pages under the head of "Main Line," a number of statements are made, having reference to the history of the Company between the years 1845 and 1857; a vast amount of abuse is lavished upon individuals, and old and long-forgotten legends are raked up and reproduced from the party newspapers of Canada; but there is not a single suggestion of any value offered which is not borrowed from the existing management, except that we should go to law.

The Committee place before you with much parade, and as if it had been the result of great skill and labour, some statistics respecting the Company's financial position, but which are, in fact, nothing but a mere recapitulation and summary of the various statements which have been placed before you at your periodical meetings, and which any Shareholder might draw up for himself in an hour or two's leisure.

concerning occurrences in 1845.

The Committee recommend legal proceedings,

which Directors disapprove,

respecting matters with which this Company has no concern.

The Committee commence with what they term "a short statement respecting the origin of the Great Western Company in the year 1845," when a "Corresponding Committee" was formed in England to promote a Great Western Line. That Committee consisted of eleven gentlemen, of whom four are now dead, four are resident abroad, and not one remains in any way interested in your affairs. The Committee of Investigation, after assailing the eleven gentlemen in question for acts which they did no less than *sixteen years* since, invite you to commence legal proceedings to recover the value of certain moneys which, in their opinion, those gentlemen, at that remote period, misapplied. Your Directors decline following the Committee into these labyrinths, from which nothing, in their opinion, can be gained but a series of lawsuits. It may be proper to observe that the Company of 1845, although called by the same title as the present Company, was by no means identical with it. The Company in 1845 appears never to have gone beyond obtaining subscriptions for capital. The present Company began on

an entirely new basis in 1851, and no member of the present Board had anything whatever to do with the Committee or Company of 1845.

The second topic of the Report under this head relates to the contracts entered into in 1848 for the construction of the Line. The Committee report to you upon a number of disputes of the ordinary character with contractors, long since, your Directors rejoice to say, adjusted and settled.

Report as to disputes with contractors in 1848,

Into the details respecting these contracts, which are dwelt upon at length by the Committee, your Directors do not feel it necessary to follow them. The facts are fully explained by Mr. Brydges in his letter, and the occurrences all took place under the directions of the Canadian Board before any Board of Directors existed in this country. The Committee report (with what object at this distant date it is impossible to say) that the Line was opened in 1853 "in an unfinished state, and an immense amount afterwards expended by the Company." Mr. Brydges explains this as follows:—

and as to the opening of the Line in 1853.

"The Line," he says, "was opened in an unfinished state, as is, and has been, the practice with every other Railway in America and Canada. * * * The large outlay after the Line was open is an universal practice in America, and the history of every Line on that continent will exhibit similar results. It is a necessity of the condition of the country. Carriage roads, during the construction of railways, hardly existed. Every article used in the construction of the Line, such as iron of all kinds, had to be hauled, at a vast expense of time and money, from the ports on the lakes to the line of railway; an absolute necessity therefore existed for getting a track down at the earliest possible moment, as greatly aiding the completion of the Line. The two American Railways, on each side of us, pressed for the opening of a through route without delay. The requirements of public convenience in America has also always forced lines to be opened as soon as the rails are laid; and thus there must always be a very vast proportion of the cost of a Line expended after it is opened. The practice is entirely the opposite of that adopted in England, and (Mr. Brydges adds) a very large portion of the sum spent since the Line was opened is for stations, sidings, and rolling stock."

Explanations.

See Appendix, p. 59.

Mr. Brydges further explains in his letter the circumstances under which the Line was opened in 1853, in conformity with a pledge given to the Shareholders in the previous year. He shows that the statement of the Committee that "shortly afterwards the culvert at Twelve Mile Creek gave way, and that it cost the Company upwards of \$60,000 to "repair the damage," (occasioned, as the Committee would have you believe, by the improper opening of the Line) is a gross misstatement of the facts. The culvert gave way *two months before* the Line was opened, and not in consequence of any trains passing over it, but in consequence of an engineering error with respect to the foundations. With regard to the amounts paid to the Contractors for expenditure under the certificate of Mr. Reid, and the alleged protests of Mr. Clark,

Erroneous statements of the Committee.

these matters are so fully treated and so completely disposed of by Mr. Brydges in his letter, that your Directors do not feel it necessary to enter further into these topics. Mr. Brydges, in the opinion of your Directors, does not appear to have been to blame in these matters.

Other points, concerning the Canadian Management, replied to by Mr. Brydges.

As to the observations of the Committee respecting Land Purchases and the Rail account, it will be more convenient for your Directors to refer to them in another place. The statements relating to the Sarnia and Galt and Guelph branches, are disposed of in Mr. Brydges' letter.

See Appendix, p. 63.

The Lake Ontario steam vessels.

With respect to the loss sustained between 1853 and 1856 by the employment of two steamers on Lake Ontario, that subject was so fully explained in the Reports for the half-years ending January 31, 1856, July 31, 1856, of the Company at the time, that your Directors see no advantage in re-opening this question. Mr. Brydges' letter explains the objects with which these Steamers were ordered and employed by the Canadian Board. The Report of your Board in July, 1856, informed you that "the Directors had been disappointed " that their hopes in regard to traffic by these Steamers had not been " realized; that if a favourable opportunity offered, the Steamers will " be disposed of, and that in the meantime care would be taken that " they should suffer no undue deterioration;" and in the Report of January, 1857, you were informed that "the Directors had concluded arrangements for the sale of the Steamers *Canada* and *America*." All this was reported to you at the time and was by you accepted and approved; and you also accepted and received payments for those vessels in Shares of the Detroit and Milwaukee Company, which the Committee appear to think of "no value" to you—although in the case of Mr. Wythes they describe them as "CLEAR PROFIT "

VII.

REVENUE AND DIVIDENDS.

YOUR Directors observe with gratification that the Committee of Investigation, after the most elaborate examination into every transaction through a period of fifteen years,—after sending three professional Accountants with their Staff to Canada, who spent there an entire summer, and ransacked every ledger on the Line,—and after exerting themselves in every possible direction to find charges against your Directors and officers, are unable in any important point to impeach the general correctness of the Company's accounts.

This cannot but be most satisfactory to all connected with the Railway; for, indeed, it could scarcely be expected that any Company should be able for so long a period of years to show accounts respecting which not an accusation can be made that assumes a graver importance than *difference of opinion* as to the appropriation.

Having premised so much, your Directors will proceed to consider what the Committee of Investigation observe upon the Accounts and Dividends of the Company; and they think they shall be able to show that even in the few observations the Committee do offer under this head they are entirely wrong.

I. The Committee say that—

Payment of Dividend
in 1854.

“ It would appear to have been considered a very great point to commence paying dividend in 1854, and the proceedings of Mr. Brydges and Mr. Baker in so making up the accounts as to justify a dividend of 6 per cent. at that time, are well worthy the attentive consideration of the Shareholders.”

The Committee are evidently influenced by a desire to impress the minds of Shareholders with a notion that there was something wrong in the “proceedings of Messrs. Brydges and Baker in making up the accounts” in 1854. Looking at the long period which has elapsed since the declaration of the dividend of 1854, the Committee evidently hope that Messrs. Brydges and Baker may be unable to justify every item of the accounts of seven years back. But Messrs. Brydges and Baker say, that not only were those accounts, so far as they were concerned, faithfully prepared, but that before they were submitted to the Shareholders they

were considered and discussed attentively and minutely by the Board of Directors in Canada. They say that they were also specially subject to the supervision and investigation of Mr. Longsdon, who was at that time Vice-President of the Company in Canada, acting for the English Shareholders, who had sent him to Canada specially, amongst other things, to see to the accounts of the Company. And they say, further, that they were examined by two competent and efficient Auditors, who reported as to these accounts that "*they had much pleasure in being able to testify to their accuracy.*" Your Directors cannot but observe that it is a monstrous injustice to the officers of a Company that upwards of six years after the results of their laborious exertions have passed successfully through such ordeals, they should be subject to a charge of having made up the accounts of their Company for the purpose of producing a dividend which was not fairly earned.*

Amounts stated to have been improperly charged to Revenue.

II. The Committee next report that their Accountants

"Enter into a detailed account of sums amounting to 321,071*l.* 11*s.* 6*d.* "improperly treated as revenue in the different half-yearly accounts [from 1854] up to "31st July, 1860. They also state that up to the same time, in addition to the "amount expended in renewals, the sum of 138,490*l.* should have been provided, "under that head, out of revenue. The accounts presented to the Shareholders "would therefore appear to have been systematically fallacious."

The items considered.

The items which the Accountants report to have been [*in their opinion*] "improperly treated as revenue," are as follow; and your Directors think they shall be able to show that with one exception these items have been carried to the proper account:—

	£	s.	d.
1. Sarnia Branch—Rails	28,001	12	0
2. Steamboats—Loss	48,820	7	4
3. Detroit Steam Ferry—Wear and Tear . .	9,338	19	11
4. Interest short charged to revenue . . .	25,504	2	7
5. Expenditure not sanctioned by Shareholders	1,446	15	0
6. Desjardin's Accident—Compensation . .	3,575	6	10
7. Bad Debts	4,745	19	6
8. Stock on hand—Deficiency on valuation .	43,050	10	11
	164,483	14	1
9. Interests debited to various Accounts over six years	156,587	17	5
	£321,071	11	6

* It was only for the advantage of the Shareholders and the Company that Mr. Brydges and Mr. Baker assisted in making up these accounts at all. The task was beyond the limits of their ordinary duties. But the fact was that the then Accountant of the Company had no knowledge or experience of Railway working, and was entirely at sea as to the appropriations in the different departments. It was therefore a matter of necessity that both Mr. Brydges and Mr. Baker should give as much assistance as their other duties would allow, to the preparation of these accounts—if they had not done so the accounts would have been delayed for months, and would then have been made up in an imperfect state.

1. *Sarnia Branch, Rails.*—The explanation of this item is very Rails. simple. The Great Western was the first railway constructed in Canada, and the contractors employed were necessarily without any plant. The contracts, therefore, provided that the Company should provide the *rails*, engines, cars, &c. required in making the Line. If the contractors had been obliged to find all their own plant, as is the case in England, the prices paid for the work would have been proportionably increased. As it was, all the rails were charged to capital as they were purchased, and the contractors were allowed to use a portion of them, both before the Line was opened, and afterwards in completing it. Rails were also used for running lines to ballast pits, some of which were two or three miles from the main Line. Of course, under such circumstances, the total quantity of rails originally purchased was more than was required for the permanent Line. When the works were completed, and the ballasting also finished, the rails which had been in use for those purposes were all collected, and a stock taken of the quantity in hand; most of these rails were necessarily much damaged from the rough usage they had been subject to; and a value was put upon them in accordance with the then market value of old rails. As capital had been charged originally with the full value of the rails when purchased, capital was then credited with the value of the stock on hand, and the difference of 28,001*l.* 12*s.* represents the least sum which the contractors would have been paid if they had been required to find their own rails. In fact, there is no doubt that if any other plan than the one now explained had been pursued, the cost of the Line would have been even greater than it now is. The charge is, therefore, a proper one against Capital.

2. *Steamboats, Loss.*—This item is the loss sustained on the Loss on Steamboats. sale of the steamers on Lake Ontario. The steamers were constructed by the Company, at the expense of Capital, to promote the traffic of the Line. They did not prove profitable, and they were sold. It remains a charge against Capital, as stated in the Report for the half-year ending January 31, 1857, and approved by the Shareholders.

3. *Detroit Steam Ferry.*—This item is believed to be the amount Detroit Ferry. which the Committee think should have been set aside to meet the wear and tear of the Ferry steamers at Detroit. How these figures are arrived at with such minute accuracy is quite unknown to your Board, there being no account under this heading in the Company's books. These steamers are always kept in good working order, and the cost has been regularly charged to revenue.

4. *Interest short charged to revenue.*—As no explanation of this Interest.

sum has been given by the Committee, your Directors have some difficulty in knowing to what it refers. It is, however, supposed to be the amount accruing each half-year between the date at which the interest on Bonds, &c. becomes due and the close of the half-year. But it must be remembered, that a full six months' interest is charged every half-year; and that the practice adopted by this Company is the one pursued by nearly every English Railway Company.

Expenditure in
Surveys.

5. *Expenditure not sanctioned by Shareholders.*—This sum of 1,446*l.* is for the surveying of lines proposed to be made so long ago as 1853–4, for which Acts of Parliament were applied for and in part obtained. They were referred to in reports to the Shareholders at that time, but were afterwards abandoned. The charge is a proper one against Capital, according to the practice of all Railway Companies.

Bad Debts.

6 and 7.—*Desjardin's Accident, and Bad Debts.*—It is an absurdity to contend, as the Report of the Committee does, that the revenue is improperly benefited by the expenses of the Desjardin's accident being gradually spread over a series of half-years subsequent to the accident itself, or that the liquidation of bad debts is not to be dealt with on a similar principle. It was distinctly placed before the Shareholders that this mode of dealing with these items would be adopted, and it met their approbation. A similar course has repeatedly been adopted by Railway Companies in England.

Stock. Deficiency on
Valuation.

8. *Stock on hand, Deficiency on Valuation.*—This charge is proposed to be made to bring the stock of rails, fuel, and stores to the valuation which, in the opinion of the Committee, they ought to bear. They now stand in the books at their cost price, and are charged at the same rate as they are used. It is impossible to alter the valuation of these articles every six or twelve months. The only principle, which is the one universally followed, is to keep them at their cost price, charging any loss that may occur when the articles are sold, or become useless. This plan has been adopted hitherto on our Line. The full quantities represented to be on hand, were found to be so, and the proper course is not to disturb the valuation until a loss is actually ascertained.

INTERESTS :—

The foregoing refer to items, extending over seven years, and amounting to 164,000*l.*, which the Committee think ought to have been debited to revenue. Your Directors will now proceed to consider the

following items, which the Committee think ought not to have been credited to revenue.

1. Interest debited to Sarnia Branch for Rails	£8,374	16	9
2. Ditto, Construction Account	42,927	5	8
3. Ditto, Detroit and Milwaukee Account	26,702	10	9
4. Ditto, Sundry Construction Accounts	10,882	4	1
5. Ditto, Bank Loans, &c.	34,393	15	2
6. Premiums on Shares and Bonds	28,820	10	10
7. Compensation—Baptiste Creek Accident	4,486	14	2
	<hr/>		
	£156,587	17	5
	<hr/>		

1. *Interest debited Sarnia Branch on Rails.*—The facts stated by For Works. your Directors, justifying the charge of 28,001*l.* 12*s.* to capital, apply also to the interest on that expenditure.

2. *Interest on Sarnia Construction Account.*

4. *Interest on sundry Construction Accounts.*

These sums were charged to capital during the construction of the works, and the facts have been regularly shown in the half-yearly accounts, which have been approved by the Shareholders. It is a well recognised principle that interest should be charged to capital during the construction of works. It would be obviously most unfair to burthen the revenue of an opened Line with interest upon a capital which at present was adding nothing to the traffic, and, by the same operation, improperly reducing the cost of the additional works. The interest was paid out of capital on the shares and bonds of the Great Western Line itself before it was opened; and the principle applies to the Sarnia and all other incomplete works, until they are opened, and add to the general revenue. Your Directors instance the Indian lines, the Shareholders in which receive interest from the time of subscription, and which must obviously be charged to capital account.

3. *Interest on Detroit and Milwaukee Accounts.*—This matter has On Loans. been dealt with in the ordinary and proper mode of treating similar items. Revenue was properly credited, and the failure of the Detroit and Milwaukee Company, to pay the amount, was brought before the Shareholders in the half-year ending July 31st, 1859, and then, as now, it stands in the balance sheet as an item due to the Company.

5. *Amount received for Interest on Bank Loans, &c.*—Whatever On Bank Loans. interest the Company receives from any sums it may have at its Bankers, or from calls on shares not paid at the proper date, &c., must of necessity be a credit to the revenue account, just as any interest

paid on loans made by the Bankers to the Company is debited to revenue.

Premiums.

6. *Premiums*.—The sum of 28,820*l.* 10*s.* 10*d.* was actually received as premiums on bonds or shares sold, and the bringing of the amount to the credit of revenue was proposed to the Shareholders in the Report for the half-year ending July 31st, 1856, and, after full discussion, met with their approval.

Compensation.

7. *Compensation*.—As regards the last item of 4,486*l.* 14*s.* 2*d.*; your Board are unable to recall, at this distance of time, the reasons which led to this amount being placed to Capital, but it appears to be an error, and it ought to be replaced out of revenue.

Different views of Accountants and Committee of Investigation.

Having thus gone through every item of the accounts, your Directors will only further observe, that the Committee in their Report treat this sum of 321,071*l.* 11*s.* 6*d.* as *all* wrongly charged, whilst upon the same point the Accountants say (page 15)—

“We do not intend to say that to *the full* extent of this amount the revenue account will be affected, because, with respect to *some* of the items, *we admit that the manner in which they should be treated may be matter of opinion.*”

Yet, nevertheless, whilst the manner in which these items should be treated is thus officially declared by their own Accountants to be “matter of opinion,” the Committee of Investigation have the audacity to say that “the accounts have been **SYSTEMATICALLY FALLACIOUS.**”

It is to be observed that there is this extraordinary absurdity about the Report of the Committee, that whilst they distinctly assert that the whole amount has been “improperly treated as revenue,” they go on to say that they “are not items, a proportion of which is in any way chargeable on future earnings.” No principle can be clearer than that, if accounts have been improperly charged in the past, they must be corrected in the future; and the Committee have thus placed themselves in the position of either requiring, if they can sustain their assertions, that the future revenue of the Line shall be debited with 321,071*l.* 11*s.* 6*d.*, or that they have made up this list for the purpose of founding a charge against the Directors, which they shrink from following up in its results.

RENEWALS.

III. The Committee next refer to the important question of “RENEWALS,” on which they do not offer any opinion, but content themselves with referring thereupon to the Report of their “Accountants”—no very competent authorities, your Directors would observe,

upon one of the most difficult and undecided questions of Railway management.

In the opinion of your Directors, the correct course to pursue Views of Directors, is to *charge each half-year with the proper cost of renewals, as that cost occurs.* This question was most fully discussed and considered by your Board many years ago. It was referred to in the Reports for the half-years ending 31st July, 1855, and 31st January, 1856. In the latter Report it was stated,—

“The charge for maintenance of way, it will be seen, includes a sum of “2,023*l.* 3*s.* 1*d.* for renewals of rails, spikes, and sleepers, worn out or decayed. “The Directors propose to charge the cost of these renewals direct to revenue each “half-year as they occur.”

That course was adopted by the Directors after full deliberation deliberately adopted, and examination of all the circumstances. The matter was before the Board in October, 1855, at which time, as well as in 1857, full reports were submitted to the Board containing all the facts and information which could be collected upon the question. The Board deliberately came to the conclusion that it was impossible to say what the life of a rail in Canada would prove to be, and that any attempt to form a sinking fund for renewals, founded upon imperfect knowledge and the absence of all experience as to the duration of rails upon a Railway in a country subject to such influences of climate, would be certain to result in error and in the subsequent diversion of the funds so laid aside for purposes not contemplated when the account was opened. In that view your and approved by Shareholders. Directors were fortified by the opinions of the highest Railway authorities in the kingdom, including the late Mr. Robert Stephenson. And the conclusions arrived at by your Board were at the time adopted by the Shareholders.

In the beginning of the Report, the Committee impute to your Directors that they have withheld from their Shareholders facts respecting the exigencies of the road, until they were obliged to publish them by the arrival of Mr. Giles in Canada. As the Committee adduce no evidence whatever to support or explain such an imputation, your Directors can only deny it *in toto*, and state that, in accordance with the above views, they have from time to time given every requisite information to the Shareholders of the state of the road.

IV. The Committee next report that 1,678*l.* has been laid out Outlay on Preston and Berlin Line upon the Preston and Berlin Railway; that the Great Western Railway had sought to recover it, and had been nonsuited. The facts of this matter are as follows:—

Explained.

The Preston and Berlin Line was promoted and constructed by parties entirely distinct from this Company, who found all the money for its construction. It was agreed to be worked by this Company, and was so for about two months in 1857. It was found not to pay expenses, and was at once closed, and the amount here referred to was the sum expended in the necessary preparations for working, which it was found could not legally be recovered.

Payments to Mr. Brydges.

V. Upon the question of Mr. Brydges' salary and commission, Mr. Brydges has himself replied to the observations of the Committee in his letter in the Appendix, and your Directors will only further observe that Mr. Brydges was appointed as your Manager by a Committee to whom the Shareholders delegated authority for that purpose. The amount of his salary has been stated by the Committee *in currency*, not sterling, no doubt for the purpose of making the figures look as large as possible. With respect to the commission allowed him, your Directors can only say that he was entitled to it under the terms of his agreement, and that the payment was made by the Canadian Board after taking legal advice.

Mr. Brydges' salary was raised to 2,000*l.* currency, or 1,600*l.* sterling, per annum, in compliance with the wishes of the Shareholders, at the meeting in England, of April, 1857.

Stores.

VI. With respect to the Directors' travelling expenses, your Board have merely to say that the principle followed in this matter from the commencement, has been that adopted by the London and North Western, and other railway companies in England.

VII. Mr. Juson is a partner in a house which has supplied stores to the Company, and your Board feels that this position requires some explanation, and no person more readily admits this than our colleague himself. The comparatively limited nature of the commerce of Upper Canada, and the importance of securing the best commercial experience and knowledge at the Board in that country, in a great measure necessitated the course pursued. It was not considered desirable that the Company should lose Mr. Juson's services, as he had from its commencement in 1851 ever taken a warm interest in its prosperity, or that it should forego the convenience of obtaining supplies from so eminent a house on the spot. The Committee do not impute the slightest injury to your interests from this connexion, and Mr. Juson, who has for some time been in this country, during which he has regularly attended the meetings of the English Board, will cheerfully accept at your hands any decision you may come to on the subject. The acts of the Canadian Legislature constituting this

Company do not contain, as is frequently the case in England, any prohibition of Directors being otherwise connected with it.

A letter from Mr. Isaac Buchanan relative to the statements made by the Committee respecting the accounts of his firm with the Company will be found in the Appendix. See Appendix, p. 85.

VIII. The Committee conclude this portion of their Report by stating that Mis carriage of Committee of Investigation in performance of their duties.

"They had intended to have prepared a statement in detail of all the sums which have been either misappropriated or wasted. But," they add, "*time will not permit: it would be a long catalogue, and would probably amount to a MILLION STERLING.*"

That a Committee invested with full powers, which sat for a space of no less than eleven months, employing an Engineer and three professional Accountants with their respective staffs, to investigate every transaction of the Company, at an expense which your Board fear will prove enormous, should fail to report specifically respecting moneys misapplied and wasted to the extent of "*a Million Sterling,*" on the frivolous pretence that "time will not permit," is, your Directors submit, either evidence of negligence and incompetence, or that their allegations are utterly unfounded and incapable of proof. It cannot be expected that your Directors should pretend or attempt to answer a charge at once so vast and so vague.

VIII.

REPORTS OF THE ACCOUNTANTS AND ENGINEER.

MOST of the matters referred to in these reports having been already dealt with, your Directors proceed to notice the few points which seem to have been omitted.

Land purchases.

Cost of Right of Way.—How far the opinion of "Accountants" is to be taken upon the question of how much land should be secured for railway purposes, or as to what was its market value at the time such purchases were made, is a point on which your Directors will leave Shareholders to decide for themselves. All who practically understand the question will agree that railways are everywhere better off, especially in a new country, by having too much, rather than too little, land at stations. The Directors regret that the Committee of Investigation have adduced no evidence which would show the reasons which induced them, and the circumstances under which the various purchases of land were made. Upon these questions the Directors may refer to the letter of Mr. Brydges, containing the opinion of Mr. Shanly, the Manager of the Grand Trunk Railway.

Rail Account.

Rail Account.—The Committee state that

"The Accountants report 1,090 Tons of Rails to be altogether unaccounted for, " and that in the Car Account there is a deficiency of 25,156 $\frac{1}{2}$ alleged to be caused " by 314 Gravel Cars having been broken up."

As the Accountants give no details concerning the Iron account, it is impossible to give any full explanation. If, as it would appear, they have arrived at their statement by simply estimating the weight of the iron from the number of miles now laid down, and then deducted the total from the original quantity purchased, the Directors can readily understand that in a large quantity like 42,000 tons, a difference such as they state of about two per cent. would be found to exist, especially as the Accountants do not appear to have taken any notice of the rails used for making switches, crossings, &c. which will alone account for a very large proportion of the alleged deficiency.

Mr. Giles, the Engineer, found the *full weight of iron* stated in the

half-yearly accounts to be in stock, but he assumes an arbitrary value, founded upon the present price of iron, which fluctuates every year, and which, if his plan were adopted, would lead to constant and unnecessary changes in the value of the materials in the possession of the Company.

The breaking up of the Gravel Cars was referred to in the Report Gravel Cars. for the half-year ending 31st January, 1860. They were used in completing and ballasting the Line; and when that was completed, there being no further use for them, a sufficient number were thoroughly repaired, so as to be able to carry on the ballasting, &c. required in the maintenance of the Line, and the others were broken up. This is another instance of the Company having to provide plant for the contractors who made the Line.

The Committee lay before you the Expenses of the London Office. Office Expenses. They make no special remark concerning them; and your Directors believe that they will bear comparison with any similar establishment in London.

The Accountants state that 30,000*l.* has been added to revenue Carriage of Materials for the carriage of materials, &c. used by the Company. The practice of charging each department or any new Line with the cost of carriage is universally followed by all railway companies; and the total of such charges which has accrued upon this Line in seven years amounts to an average of very little more than 2,000*l.* each half-year, supposing the estimate made by the Accountants to be correct, but for which they adduce no evidence.

The Accountants, also, at page 25 of the Report, inform the Shareholders that the fixed charges of the Company for Interest, &c. amount to 141,025*l.* per annum; this is an error, the real sum being 119,042*l.* or 21,983*l.* less than the Accountants state.

The Accountants, in dealing with the accounts to July 31, 1854, Maintenance of way in 1854. allude to the charge for maintenance of way on the first opening of the Line, and object to what they call "the statement of the Managing Director that it is the usual practice in English Railway Companies "to charge maintenance during the first six months to Capital," and add that "they know of no such practice." The Accountants are probably not aware that every Railway contract in England includes maintenance of the Line for at least a twelvemonth after its opening by the Contractor, which, therefore, forms part of the capital cost of the Line.

MR. GILES.

The Committee state that—

"A majority of the Committee of Investigation deemed it essential to the Appointment of "completeness of their inquiry, that an experienced engineer should proceed to Canada Mr. Giles.

"to examine into and report upon the state of the Company's property. Mr. Alfred Giles was accordingly appointed." (Report, page 1.)

His Report.

Mr. Giles's Report is, upon the whole, highly favourable to the Management. Mr. Giles coincides very much with the opinions of Mr. Reid, the Company's engineer, as to the condition of the Line.

His Report being of such a character, your Directors are not surprised that the Committee of Investigation have scarcely made any reference to it in their Report. Your Directors will supply the omission by briefly summarising what Mr. Giles says.

As to Works.

Mr. Giles reports:—"That the works generally have been well constructed. The stations, wharves, and sidings are commodious and well arranged, and the rolling stock is ample for the carrying of a large traffic."

Engines.

He finds the full number of engines that were stated by the Directors to exist.

Cars.

He found all but 11 out of the 1,552 cars belonging to the Line. The 11 were probably on some other Line at the time, or his assistants may have missed the numbers.

Rails.

He found the full stock of rails said to be on hand, but he thinks them valued at too high a rate per ton.

Fuel.

He found all the fuel said to be on hand, but would wish to alter the price of some of it in the stock-book.

Stores.

He found the Company to be in possession of the amount of stores set forth in the accounts, but that each item did not exactly agree with the entry in the ledger. It would be very singular in such a large account if it did.

Working.

He considers the Line to be worked very cheaply, and, on the whole, thinks the aggregate expenses is even lower than they should be.

Renewals.

He enters into some calculations about renewals, which have already been referred to, upon which, without offering the slightest disrespect to Mr. Giles, the Directors prefer to rely upon their own officers and their own judgment.

IX.

CONCLUSION.

YOUR Directors have now considered, and, as they submit to you, have satisfactorily disposed of all the allegations in the Report of the Committee of Investigation. Those allegations have been of the most reckless character. They have embraced a period of *sixteen* years, and have affected no less than *forty* gentlemen of standing and reputation. They embody charges of wholesale fraud and corruption against individuals, when, as your Directors have shown, no ground whatever existed for such imputations. They unsparingly assail those who have devoted their time and talents to your service, and against whom, except in the Report of this Committee, there has never been an imputation.

This Committee was appointed for a very different purpose. It was appointed at a period of adversity to inquire into the position and prospects of the Company, to give an *impartial* opinion of its management, and, if possible, to devise measures for the future prosperity of the Line. It might have been hoped that its investigations would have tended towards that end; that this Committee, instead of applying themselves to matters long gone by, would have endeavoured to discover where errors existed in the working of your Line, how economy might be promoted, how working expenses might be decreased, and by what arrangements with other Companies, or otherwise, traffic might be developed which would be profitable to you; but the *eleven* months' labour, and the serious outlay of this Committee, have resulted in no practical benefit.

In the history of the Line, there may have been errors of construction, and errors of judgment in its management: such things were unavoidable, especially in a new country. But the Half-yearly Reports of the Company have ever given a fair and honest representation of its affairs.

The Line was promoted in Canada, and was taken up in England, as the pioneer Railway in the most important colonial possession of

constructed with
great difficulty,

the British Crown. It was designed to aid in developing the resources of a territory capable of infinite expansion. At the time this Railway was originated, there were hardly any roads in many parts of the country through which it passed; and such roads as there were, were more like ploughed fields than common highways. In many districts the Line ran through dense forests, in which it was scarcely possible to carry out a survey, and the geological formation of the country was scarcely better known than its surface.

and which has recently passed through a period of depression,

All this the Railway has changed; Western Canada is now the most thriving and most densely populated portion of the province. That country has had to pass, recently, through a period of temporary depression, from which your Railway has, of course, suffered; but the Province is now reviving, and with the revival of the country the stream of intercourse and traffic is reviving also. With this revival you might naturally and fairly be expecting increased profits for the capital you have invested.

is unjustifiably damaged by the Committee's mis-statements.

Mr. E. Denison, M.P.

It is at such a moment that the Committee of Investigation have issued a Report in the highest degree calculated to damage your Railway in the eyes of capitalists and the public, and thereby to depreciate your property, and inflict upon you lasting injury. Your Directors cannot but look about them to discover an adequate motive for so peculiar a course. In doing so they cannot but call to mind what was said many years ago by Mr. Edmund Denison, M.P., the Chairman of the Great Northern Railway, when a Committee of Investigation was proposed at a meeting of that Company.

His views as to Committees of Investigation,

"I put the proprietors," he said, "upon their guard. I do not object to the principle of a Committee of Investigation; but I ask you to be cautious in selecting and appointing your Committee. I have had some experience in Railroads, and I know perfectly well that a great deal of the future prosperity and harmony of the Company depends upon the character of the gentlemen, *and the object they have in going into an investigation.* To a fair, impartial, and candid inquiry we have not the smallest objection. . . . All I ask of you is to be cautious, and not heedlessly run the risk of doing harm. I am told, upon very good authority, that harm has accrued when a Committee of Investigation has been appointed, *for it has created distrust, and led to anything but harmony ever afterwards.*"

and as to the objects and motives of such inquiries.

These words, the result of experience and sound sense, may well be commended to the attention of the Shareholders, in dealing with the Report of the Committee of Investigation on Great Western of Canada affairs. That gentleman was, indeed, right in asking Shareholders well to consider *the object* which parties may have in going into a Committee of Investigation; and he might also have asked them to have regard to the mode in which such a Committee originated, and to the manner in which they conducted their inquiry.

Your Directors call the attention of the Shareholders to the statements made by Mr. Brydges, in his letter relative to Mr. H. B. Willson, and the part taken by the latter in connexion with the origin and progress of the inquiry. They might also allude to the proceedings of other parties who had no real interest as Shareholders of the Company, but who took an active part in the agitation preceding the appointment of the Committee. But your Directors feel that such matters had better be left to the discrimination of the Shareholders.

H. B. Willson's interference.
See Appendix, p. 71 and 72.

The Committee have made their Report, and it remains for the Shareholders to decide upon the manner in which they have performed the duties entrusted to them.

The depression under which Canadian property has so long laboured, is now rapidly giving way. A good harvest, and a consequent improvement in the general trade of the country, has superseded a period of dearth and scarcity. Your Directors have every reason to hope and expect that this improvement so happily begun will be steadily progressive.

CONCLUSION.

At the same time they must not conceal their opinion, that from many causes, some of which are obvious, the present is a very critical epoch in the existence of the Great Western Railway of Canada, and that a very moderate amount of inexperience or mismanagement may do more mischief than can easily be repaired.

Your Directors have now, as they believe, fully and fairly replied to every one of the mass of heavy charges adduced against them by the Committee, and they feel perfectly confident that their fellow Shareholders, calmly reviewing the whole case, will acquit their administration of having been either corrupt, or inefficient, or unsuccessful.

Signed on behalf of the Board,

ROBERT GILL,

President of the Company.

GRESHAM HOUSE, OLD BROAD STREET, LONDON,
March 27th, 1861.

APPENDIX.

APPENDIX.

I.

LETTER *from* C. J. BRYDGES, Esq. MANAGING DIRECTOR.

To the PRESIDENT *and* DIRECTORS *of the* GREAT WESTERN RAILWAY
COMPANY OF CANADA.

GENTLEMEN,—As in the Report dated 15th February last, issued by the Committee of Investigation appointed at the meeting in London on 4th April, 1860, many charges are brought specifically against me, I beg now to comply with your instructions, that I should reply *seriatim* to the various statements which the Committee have made in reference to myself.

THE INVESTIGATION IN CANADA.

On the arrival in Canada of the Accountants, Messrs. J. and A. Young; delegated by the Committee, I at once afforded them every possible facility in conducting their inquiry, and expressed my readiness to give them every information in my power upon all points; and those gentlemen, before they left Canada, voluntarily, and in the most cordial manner, acknowledged the frankness with which I had throughout treated them, and the great facility which had been thereby afforded to their investigations. They added that they should make it a point to state this very prominently in their Report. As no mention of this is to be found, I can only conclude that the Committee had made up their minds to exclude everything which could by any possibility lead to the inference that any one now connected with the Company had ever done any one single thing in the slightest degree deserving of approval or commendation.

I may mention that no statement of the nature of the charges it was intended to make against me was ever furnished, so that I might have an opportunity of affording explanations before the charges were publicly made.

I was from time to time examined at great length by one or other of the Accountants, no previous intimation being given to me of the subjects upon which I was to give evidence; and thus I had frequently to recall to my recollection matters which had been disposed of years before, which had, to a great extent, been obliterated by the subsequent affairs to which I had had to attend, and this after the Accountants had only just risen from a close examination of all the facts; thus giving them a perfect knowledge of all dates and figures.

APPENDIX.

A shorthand writer was present on all occasions taking down all that passed.

These examinations were always private, and confined to one of the Accountants, myself, and the shorthand writer.

A large part of the evidence that I gave was subsequently shown to me, and I read it over, making the needful corrections, although in some cases great reluctance was manifested to permit of my making any corrections.

A portion of my evidence I have never seen since it was taken down by the shorthand writer. No copy of any of it has ever been supplied to me, nor had I any opportunity of taking a copy.

All examinations in Canada were taken in the same private manner that I have already described. Several of the inferior officers in the Company's service, station-masters, &c. were examined; thus tending to bring about a laxity of that proper discipline which can only result in great detriment to the interests of the Company; and a number of persons who, at various times, and for good reasons, had been discharged from the Company's service, with others who were notoriously hostile to the Management, were also examined in a similar private manner—no one being present to cross-examine them on the part of the Company; no statement of the nature of their evidence has ever been communicated to me, or an opportunity afforded of even reading the imputations which their pitiful spite or fancied grievances doubtless led them to advance.

None of the evidence which I gave has been published, and I think I may fairly complain that charges should be made against me without the Committee having the common fairness to publish my explanations, which, in those instances where I had an opportunity of explaining, distinctly disprove the accusations themselves.

With these remarks on the mode in which the inquiry was conducted, I will now proceed to deal with the various charges made against me.

The Committee have, in their endeavour to fix me with every kind of blame, entirely ignored the important fact that when I went to Canada the entire Board of Directors of the Company were residents of that country, and had administered its affairs for four years previously; that regular meetings of the Board were held every week; that all the operations of the Company were under their control and directions; and that I did not and could not take any important measure without first obtaining their authority and consent. Why the Committee should thus conveniently ignore the existence of a Board of Directors, consisting of eleven members, and seek to make me, as one of that body, alone responsible for everything that was done, it is easy to understand. The Shareholders will naturally observe the *animus* of statements attempted to be founded upon such a remarkable omission of a most important fact. And the Shareholders will at once see that when the Board has adopted any recommendation I made, that the act becomes theirs, for which, as a whole, not me individually, they are responsible. I was only one member of the Board; if my views and suggestions in their opinion were not sound, they would not have been adopted, and if my acts and proceedings had not been in conformity with their views and instructions, they had at any time the power of removing me from the office which I held.

The statements made by the Committee are often couched in such general terms that it is almost impossible to deal with them; but where subsequently mentioned in detail, they will be replied to.

CONTRACTS.

APPENDIX.

The Board in Canada in 1852, before my appointment, had made an arrangement with some of the contractors to hasten the completion of the Line, paying them by monthly instalments a sum of 27,500*l.* in all. The contracts which were thus to be hastened had been let in 1848; four years before the work was commenced, and about three years before any English capital had been subscribed to the undertaking. When the works were ordered to be begun, the character of them was entirely altered from what had been contemplated when the contracts were let. The specification of works to be executed was prepared and approved by persons who had had no experience in railways, or in any other works of magnitude. The description of masonry was made much more expensive; the structure of the bridges, culverts, &c. was made much stronger and better; and the whole character of the work greatly improved in every respect. The work being executed bore no relation whatever to that set out in the contracts; the Company had been unable to supply the contractors with the rails and other materials as stipulated in the contracts; and towards the end of 1852 and beginning of 1853, a most extraordinary advance took place in the price of labour, land, materials, and everything else in Canada.

It was just at this juncture that I reached Canada. The engineer of the Company, Mr. Clark, shortly after my arrival, called attention to these contracts, and pointed out the position in which the Company was placed. The whole matter was at once brought under the notice of the Board, and the best legal advice sought upon it. This resulted in the discovery that the works contemplated in the contract differed so entirely from those actually being executed, there were in reality no contracts in existence,—that the contractors could and indeed were ascertained to be preparing to demand payment for the work executed at what they could prove to be its fair and proper value. They had so far received the payments made to them under protest, as merely on account, and had evidence to prove (what was not denied) that the engineer, Mr. Clark, had admitted that the estimates were too low. The lawyers then advised that either entirely new arrangements must be made, which should cover all the points then in dispute, or the Company must submit to most expensive and harassing lawsuits with almost everything against them, from the loose condition in which the original contracts were found to be framed.

The Board upon this decided to endeavour to arrive at an amicable solution of the difficulties; and after several months of discussion new contracts were agreed upon, the prices to be paid under which were all settled by Mr. Clark, the engineer, and which were lower than those paid about the same time by the other railway companies then commencing to construct their lines in Canada. The 10,000*l.* already paid by way of bonus formed a great difficulty in the negotiations, but it was at length taken into consideration in settling the prices to be paid for the different descriptions of work.

The engineer, Mr. Clark, in his published Report of 4th June, 1853, annexed to the Directors' Report, after explaining in detail some of the difficulties which had arisen about these contracts, thus expressed his opinion upon the arrangements which had been made, viz.:—

APPENDIX. "I am happy to inform you that by amicable arrangements made by the Managing Director between the Company and the contractors on the entire Eastern Division, and a portion of the Central and Western Divisions, the prices to be paid for masonry have been established, and the classification so reduced and arranged as, on the completion of the contracts, the work can be measured up and quantities ascertained with so much certainty as to leave no reasonable ground of complaint in any quarter, and thus avoiding vexatious, expensive, and interminable litigations, paralyzing to the energies of the Company and deeply injurious to the best interests of the Shareholders.

"Although I do not fully concur in all the details of these arrangements, I am fully of opinion they will prove as a whole highly advantageous to the Company."

And in the Directors' Report to the Shareholders of June, 1853, the Board, which then included the Presidents of the New York Central and Michigan Central Railways, both of whom had a deep interest, as large Shareholders, in the economical construction of this Railway, gave their deliberate opinion upon the matter in the following language:—

"This officer (the engineer, Mr. Clark), with the aid of our Managing Director, has arranged most important and favourable changes both in the system on which our contracts are based, and in the practical prosecution of the work."

The two payments of 5,625*l.* were included in the price of the new contracts, to be paid in lieu of the balance of the 27,500*l.* provided the works were ready for opening on 1st November, 1853, and as they were ready, the amounts were paid by a unanimous resolution of the Board.

It must be here stated that in May, 1854, the Board in Canada was strengthened by the appointment, on the part of the English Shareholders, of Mr. W. Longsdon, who, in the month of June of that year, as Vice-President, and as a salaried member of the Board, devoted his whole time to the affairs of the Company. Mr. Longsdon, at the time of his appointment, was a Director of the Midland Railway Company, and had had considerable experience in the construction and working of Railways.

Since June, 1854, there has always been, with a short interruption in 1856-7, a member of the Board in Canada, sent from England, specially to look after the accounts of the Company.

The settlement of Farwell and Co.'s contract was made some time after Mr. Longsdon joined the Board. Mr. Clark made up their final estimate; they were dissatisfied with it, and sent in a statement of claims amounting to an aggregate of about 72,000*l.* This was referred to Mr. Clark, who certified a further sum, beyond his previous final estimate, of upwards of 6,000*l.*; and the former engineer gave a certificate for some extras performed under his superintendence and by his orders, amounting to about 8,000*l.* The matter was then referred to a Committee of Directors to report upon, the result of which was that the Board, on 18th July, 1854, decided to accept an offer made by Farwell and Co. to close all matters in dispute for a sum of 20,000*l.* (which included the two before-named sums of 6,000*l.* and 8,000*l.*), as in their opinion a far more judicious course than to enter upon a lawsuit or reference on claims amounting to 72,000*l.*

Mr. Reid's signature to any of the items composing the settlement was a mere matter of form, after the Board had decided upon it, and it was of no consequence whether he gave a certificate or not.

The other sums mentioned were paid in settling other contracts under similar circumstances to those already explained.

OPENING OF THE LINE.

APPENDIX.

The Line was opened in an unfinished state, as is and has been the practice with every other Railway in America and Canada. All the contracts were framed on a schedule of prices for work actually done, not for a lump sum or for so much per mile; the payments were all made by applying the schedule of prices in the contract to the quantity of each kind of work actually executed, and therefore the opening of the Line in an unfinished state had nothing whatever to do with the amounts paid to the contractors.

The large outlay after the Line was opened is a universal practice in America, and the history of every line on that continent will exhibit similar results. It is a necessity of the condition of the country. Ordinary carriage-roads, during the construction of railways, hardly existed. Every article used in the construction of the Line, such as iron of all kinds, had to be hauled, at a vast expense of time and money, from the ports on the Lakes to the line of railway; an absolute necessity therefore existed for getting a track down at the earliest possible moment, as greatly aiding the completion of the Line. Urgent representations were made by the English Shareholders to get the Line open as early as possible, so as to stop paying interest out of capital: they pressed this the more as the reports of the engineer in 1852 had promised the opening of the Line in the summer of 1853. The two American railways on each side of us pressed for the opening of a through route without delay; the requirements of public convenience in America has also always forced lines to be opened as soon as the rails are laid; and thus there must always be a very vast proportion of the cost of a line expended after it is opened.

The practice is entirely the opposite of that adopted in England.

A very large portion of the sum spent since the Line was opened is for stations, sidings, and rolling stock.

The number of engines on the Line when it was first opened was only twenty; there are now eighty-eight.

At the opening of the Line there were very few sidings; on the main Line alone there are now upwards of thirty-seven miles, and so of everything else, including station-buildings, warehouses, wharves, mechanical buildings, tools, machinery, signals, telegraph, &c.

The statements made by the Committee as to the opening of the Line contain several very important errors of fact. In the first place, a promise had been publicly made to the Shareholders, in the Report from the Board in 1852, that the Line would be opened throughout in August, 1853; and Mr. Clark, in his Report of June, 1853, although not confirming the promise previously made, stated that the Line would be opened throughout by the close of the year 1853. The Board were strongly of opinion that to attempt to open a long line of 229 miles at once, in the middle of winter, in a new country, where no railway had previously existed, and with a staff which must of necessity be almost entirely unused to railway works, would be a most improper and dangerous proceeding. They therefore decided, if possible, to open it in sections, so as to get the staff into something like systematic working before the through traffic came upon them.

A. PENDIX. It was accordingly opened as follows:—

43 miles from Suspension Bridge to Hamilton, on 10th November, 1853.
 76 miles from Hamilton to London, on 21st December, 1853.
 110 miles from London to Windsor, on 27th January, 1854.

229

It is true that Mr. Clark disapproved of the course proposed by the Board, because he wished to have the Line opened at once throughout; hence he strongly objected to the opening of only the Eastern Division of 43 miles on 10th November, 1853, but he was a consenting party to the opening of the other sections, although the Committee broadly assert that he "strongly protested" against the opening of the whole Line.

The reasons which induced the Board to differ with Mr. Clark have been stated, and were fully known to the Committee, although they have not had the candour to mention them. Before, however, opening the 43 miles in question, the Board took the opinion of an eminent and independent engineer, who reported to them, in writing, that the Line might be run with safety, which the result fully justified.

The statement that "shortly afterwards the culvert at Twelve Mile Creek gave way," is not correct,—it broke down two months before the Line was opened, owing to the engineers having grossly blundered in preparing the foundations. Mr. Clark's fears that it might give way still more were not realized, as it never moved after it first sank, two months before the opening of the Line.

LAND PURCHASES.

The Committee refer to the Accountant's Report in regard to the outlay for land, and to what they say upon this subject I will now reply.

How far the opinion of Accountants is to be taken as conclusive upon the question of how much land should be taken at stations for railway purposes, or as to what was its market value at the time the purchases were made, the Shareholders can form their own opinions. Every one who understands the question practically will agree with me when I state that the principle is a sound and well recognised one, that railways are much better off everywhere (and this must be more especially true in a new country) by having too much, instead of too little land at stations. It is a common complaint that railways have in the course of years suffered most seriously from not taking care to have plenty of land at stations. I believe there is hardly an instance of a Railway Company having in the first instance secured land enough for station purposes at important points.

If the Committee had not withheld the evidence in their possession upon this point, showing the reasons which induced and the circumstances under which the purchases they allude to were made, the Shareholders would then have had before them the practical views of the parties who are responsible for the purchases, as well as the vague insinuations dealt in by the Accountants.

The only two cases mentioned by the Accountants, with which I had anything to do, were in the purchase of additional land at the Suspension Bridge Terminus, and at the London Station.

When I arrived in Canada I found that at the Suspension Bridge terminus, the most important on the Line, and where the largest traffic would have to be conducted, the Company only possessed a narrow strip of land, very little more than sufficient for the track of the Railway. The New York Central Company, on the other side of the Bridge, were in the same position, and they at once purchased a tract of land, comprising a large number of acres. I advised the Board to do the same, as a great advance was then taking place in the price of land, consequent upon the building of a town at this spot. APPENDIX.

The ground on both sides of the Bridge is so situated that excavations have to be made to make it available for railway purposes.

There is every reason to believe that before long a considerable part of what the Accountants call surplus lands, will be required for cattle-yards, workshops, &c.

The purchase made in 1856, at Suspension Bridge, as well as the others, were made by order of the Canadian Board, after full deliberation, as a means towards carrying out, in the most economical manner, certain works required by the then rapidly increasing traffic, and for reasons connected with the policy of the Company, which at that time were considered of great importance.

The other land purchase is at London. Here also the Company possessed land entirely inadequate for such an important station. London is about the centre of the Line—there engines are changed—and the trains therefore stop some time. It is thus the most convenient place for large dining-rooms, and requires ample room. It is also the terminus of the Sarnia Line. The Grand Trunk branch from Stratford terminates here, and also the London and Port Stanley Railway. When the station was first constructed, it was so cramped, that there was not room to accommodate the number of passengers that for the first few years crowded the trains; the width of the Company's property was so narrow, that there was only room for two lines of rails, thus preventing the possibility of having any sidings, and when two trains met there, which was a frequent occurrence, preventing entirely the passage of goods trains. It in fact became such a perfect block that the traffic, which was then largely on the increase, could not be worked with either safety or despatch. The Board therefore decided to construct a proper station, and afford sufficient room for sidings and for the safe and speedy passing of trains.

When the station was completed, it was found that wooden buildings on the ground next it had been constructed, which, if they caught fire, would greatly endanger the station. A fire did actually occur, and the station, which had cost upwards of 5,000*l.*, was in great danger of being destroyed.

About that time also, arrangements had been made with the Grand Trunk Company by which they were to run into our London Station, and to have a certain amount of space allowed them for baggage, lamp-rooms, and other necessary conveniences.

It was therefore determined to buy additional land, proper steps being first taken to ascertain its fair value. Those inquiries resulted in the conviction that the price paid was by no means high, as is indeed proved by the evidence furnished by the Accountants themselves from some of the most respectable people in London.

As this is a question upon which the practical opinions of those actually engaged in the conduct of railway working are of more value than those of accountants, I asked the Manager of the Grand Trunk Railway Company

APPENDIX. to give me his opinion as to the propriety of the purchase. The following is his opinion :—

" GRAND TRUNK RAILWAY OF CANADA,
 " GENERAL MANAGER'S OFFICE,
 " MONTREAL, 17th October, 1860.

" MY DEAR SIR,—I am perfectly familiar with the premises comprising your passenger station at London, and have not the slightest hesitation in saying, that had I been in your position, I would have made the purchase of the fifty-five feet of land adjoining in on York Street, as you did some years since, or else I would not have erected that handsome brick station, altogether the best arranged and most convenient passenger station in Canada.

" To have left room for other and inferior buildings to be put up in such close proximity to your station, would, in my judgment, have been most unwise and shortsighted; certain to have resulted in your being compelled, as a matter of safety, at some future time, to buy out a nuisance of some sort or other, and a constant source of danger to your property, and at a very much higher price than the land in question cost, which, as property rated then in London (and will again), was not dearly purchased.

" You are at liberty to make such use as you may see fit of this letter, and I am,

" My dear Sir,

" Faithfully yours,

" W. SHANLY.

" C. J. BRYDGES, Esq."

All the other land purchases mentioned by the Accountants were either made, or in progress, before I arrived in Canada.

I will only add, that as regards the two cases which I have here explained, I ask, as a matter of justice to myself, that they may be made the subject of judicial inquiry, where all the parties may be examined under oath, so that it may be proved how utterly baseless are the insinuations which have been thus launched against me.

GALT AND GUELPH BRANCH.

The facts relative to the Galt and Guelph expenditure are grossly mis-stated by the Committee.

It is asserted that six persons connected with that Company, with my assistance, got 76,000*l.* out of this Company; I answer that not one farthing was ever paid to the Galt and Guelph Company, or to any persons connected with it. Every shilling of the 76,000*l.* was expended by the Great Western Company in completing the Works of the Line, under the superintendence of our own engineer.

The connexion with the Galt and Guelph was first forced upon this Company during an application made to Parliament for one of our amended acts; and with the negotiations which then took place I had nothing whatever to do. Mr. Longsdon was then Vice-President. They resulted in an Agreement whereby this Company provided the iron for the Line; and this was subsequently extended into another Agreement under which the Line was completed, and the money expended. This was decided upon at a Meeting of Shareholders in England, on 2d November, 1855, at which I was not present.

STEAMERS.

APPENDIX.

The paragraph relating to the Steam Ferry Boats is so vague, that it is impossible to deal with it. All the contracts for the Boats were let under the directions of the Board in Canada, and all that was done was fully approved by them.

The question as to the Steamers on Lake Ontario is set out, so as to make me alone responsible for that measure; and again the Committee entirely ignores the existence of the Board in Canada.

The establishment of a line of Steamers on Lake Ontario in connexion with the Railway was settled months before I set foot in Canada. It was, indeed, determined upon early in 1852, when a traffic agreement was made with the American Railway Companies, at the time they subscribed for Shares in our Company.

The Michigan Central, Michigan Southern, and New York Central Railway Companies were all at that time building large Steamers to run on the Lakes in connexion with their Lines, and all believed it would prove a very important adjunct to the traffic in the hot summer months. The Companies named all spent much larger sums upon their steamers than we did. Experience has proved that the views entertained by all parties in 1852-3 were not sound; but nobody found this out till too late. Why, therefore, try to saddle the whole responsibility of this upon me? I did not propose the resolution in June, 1853. It was unanimously adopted as the formal act of carrying out a previous determination. The expenditure was always under the control of the Directors. In the Accounts for the half-year to 31st July, 1854, the expenditure on the steamers had amounted to nearly 50,000*l.*, and the Report of the Board, approved by the Shareholders, stated that a further sum of 35,000*l.* would be required. If the Accounts are not in a satisfactory state, it was the duty of the then Accountant, and no one else, to see that they were so.

The following extracts from the Report of the Michigan Central Company in June, 1853, show how universal was then the feeling that steamers would prove most important adjuncts to the traffic of the railways which touched the great Lakes:—

“The construction of larger steamboats to run upon Lake Erie, in connexion with the various lines of railroads leading to that water, has rendered it necessary for this Company to improve the character of its North Shore Line, and they have with reliable associates undertaken the construction of two steamers, to be at least equal to any in the service of the lines.

“While we believe, if the Great Western Railroad be efficiently operated, it will, when completed, command a large share of the travel, yet a portion of the travel will prefer the variety offered by the steamers to continuing upon so long a line of railroads; and if the choice were not offered upon this route, many would seek another where they could avail themselves of the change, or continue upon the railroads, as they preferred. The large increase of business to come from the many lines now constructing west of us will doubtless furnish a sufficient business to the steamers to fully meet the expectations of their owners.”

The facts relating to this Company's steamers were fully stated in the Reports to the Shareholders for the half-years ending 31st July, 1855, 31st January, 1856, and 31st July, 1856, and the particulars of their sale were given in the Report for the half-year ending 31st January, 1857, and approved by the Shareholders.

APPENDIX.

ACCOUNTS FOR 1854.

In regard to the Accounts for the half-year ending 31st July, 1854, it is sufficient for me to say that I left Canada for England about the middle of July, and did not get back until the middle of September, or about a fortnight before the meeting of Shareholders was held at which the half-year's accounts were submitted and approved, and I brought with me the accounts of the London Office.

I had very little to do in the matter. The Accountant then in the service of the Company had no knowledge of railway accounts,—he was quite at sea in dealing with the various departmental appropriations,—time pressed,—the meeting of Shareholders was at hand, and if Mr. Baker and myself had not given as much time as possible in assisting in the closing of the half-year's accounts, they would not have been ready for months, and then in an incorrect and unintelligible state, owing to the inefficiency of the then Accountant. We neither of us had anything to do with passing the entries through the books.

Mr. Longedon also gave much assistance in the preparation of the accounts, and fully approved of them, as did also the Board, to whom they were submitted, and after full consideration they were ordered to be printed on September 22, 1854.

Two Auditors appointed by the Shareholders examined the books in Canada, and their Report, which was appended to the 31st July, 1854, Accounts, contains the following words, dated September 27, 1854:—

"They have carefully examined the accounts and vouchers connected with expenditure and receipts of the Great Western Railway up to 31st July, 1854, and have much pleasure in being able to testify to their accuracy."

To attempt at this distance of time, and in the absence of the books, to enter into another examination of those accounts, is of course out of the question; but in regard to what the Accountants say as to the charging of 17,642*l.* 13*s.* 8*d.* from the Mechanical account to Capital, I have only to say that that sum is the expense of working the engines and cars employed in constructing and ballasting the Line both before any part of it was opened and up to 31st July, 1854. That this was a perfectly proper charge against Capital there cannot be the slightest doubt; and I think the decided error which the Accountants have made in this instance may be fairly taken as a sample of their remarks as to the others. Every proper charge, as far as I know, was made against revenue, and the working expenses are not less than was to be expected, seeing that 80 per cent of the gross traffic was for passengers, and that the engines and cars being new required but little outlay.

SALARY AND COMMISSION.

The Committee's next charge against me is as to the salary and commission which has been paid to me.

They say that I was appointed Managing Director on 16th February, 1853: this is wrong; I was appointed in London in November, 1852.

They mention the salary which I receive in currency instead of in sterling money, I suppose to make the figures look as large as possible. My present

salary from this Company is 1,600*l.* sterling per annum, sterling being one-fifth less than currency. APPENDIX.

In the matter of the commission paid to me, the Committee have again totally ignored the existence of the Board in Canada.

The agreement made with me, and which was sealed with the Corporate Seal of the Company, contains the following clause:—

“An additional sum or allowance of two hundred and fifty pounds of lawful money aforesaid for and in respect of every one pound currency per centum per annum of dividend or bonus which the Company may actually pay to their Shareholders, or which the net receipts reported to the Shareholders in respect of that year might enable them to pay over and above the rate of eight pounds per centum, and in that proportion for and in respect of every portion of a one pound currency per centum per annum of dividend and bonus.”

The published accounts for four half-years report that the Company had earned higher dividends than eight per cent.; and the Finance Committee, on 8th April, 1856, first taking the opinion of the Company's solicitor upon the matter, passed a minute setting forth the nature of the agreement with me, and directing that in accordance therewith I be paid the sum of 406*l.* 5*s.* currency, and this was confirmed by a full Board meeting on 11th April, 1856.

The subsequent payment was ordered in precisely the same way.

The statement, therefore, that I ordered these payments to be made is entirely false. They were ordered to be paid by the Board after proper examination, and were in strict conformity with the terms of my engagement.

DETROIT AND MILWAUKEE LOANS.

I will now proceed to refer to the Loans to the Detroit and Milwaukee Railway Company.

Not long after I arrived in Canada, my attention was called by those largely interested in this Company, to the benefit which might accrue to our own Line from the traffic of the Northern part of the State of Michigan. Amongst others, Mr. Samuel Laing, M.P., who was then a large shareholder, wrote me, amongst other matters, to this effect, on 10th Feb. 1854, in which letter he stated that he did so after “several important discussions with our ‘leading Shareholders’ in England, and because he thought it ‘very desirable to put me confidentially into full possession of the views generally entertained.’”

When the Grand Trunk Company was first formed, it had the control of a line occupying very nearly the same ground as that now covered by the present Detroit and Milwaukee Railway. My instructions were to watch that district, and to see how far it could be made available to our traffic, and consequently to the exclusion of the Grand Trunk.

The importance of this matter became greatly enhanced when additional lines were commenced to run from Chicago to the Sea Board, passing south of Canada through Pennsylvania. It was clear that such lines must, when opened, divert some of the traffic we then enjoyed, and it became, therefore, a matter of vital policy to seek alliances which would strengthen our hold on the traffic of the Western States of America.

It was also always considered of urgent importance that this Company should not remain entirely dependent upon any one connecting line, but possess an alternative route. The New York Central Company and the Michigan Central Companies when they subscribed towards the construction

APPENDIX. of this Railway in 1852, naturally sought to bind us exclusively to themselves, and to make our line a mere appendage to their interests, to be used solely as they might deem most advantageous to themselves.

Sound policy dictated that this Company should not be confined by any such trammels, but, on the contrary, whilst continuing to cultivate most friendly relations with its existing allies, that it should seek to extend the sources of its traffic.

It was with such views that as early as 1853, the Detroit and Milwaukee Railway was looked to as an ally that ought not to be allowed to fall into the hands of a rival.

Since that time it has been gradually more and more identified with Great Western interests, and many Shareholders of this Company recognizing its value, took an interest in its completion, and by their assistance, considerable sums were raised upon its Bonds in 1856. The amount then subscribed was not sufficient to finish and equip the Line, and in the summer of 1857 the approach of the terrible commercial panic of that year reduced all the incomplete, and many of the opened railways of America, to a state of bankruptcy.

In August of 1857 I was directed by the London Board to proceed to England, to confer with them upon several important matters relating to the affairs of the Company.

For the reasons which I have already stated, I was of opinion that the Detroit and Milwaukee Line was of great importance to this Company, and would prove of vast benefit to its traffic. I am strongly confirmed in that opinion now. I freely admit that we all took a more sanguine view than subsequent events have for the present justified; but it was then impossible to foresee that America was to be prostrated by a succession of deficient harvests, and the trade of the country brought almost to a dead lock.

The Detroit and Milwaukee Company was then in difficulties,—it must obtain assistance from some source,—it was known that the Grand Trunk Company were making arrangements to make Detroit their western terminus, and that they would seek to secure the control of all the avenues bringing western traffic to that point. After having done so much to aid the construction of the Detroit and Milwaukee, and to secure its control, it would have been most improper to permit it at that juncture to slip out of our hands.

It was under these convictions that I fully concurred with the Board, and the great body of our Shareholders, in believing that it was a matter of great importance to aid the Detroit and Milwaukee in its then extremity.

Of course the great object with all parties then was to secure an additional stream of traffic, and notwithstanding all the drawbacks we have had to contend with, the traffic of the Detroit and Milwaukee Line now brings an additional business to the Great Western Line, which yields a large return on the amount of the Loans, and which there is every reason to believe will not only be greater in future, but that the revenue of the Detroit and Milwaukee itself will so improve, as to enable it ultimately to pay interest upon the Loan beside.

It must not be forgotten either, in considering this question, that for an outlay of 250,000*l.* we have secured absolute control of a Line of Railway 185 miles in length, running through a growing and thriving country, and by its connexions west of Lake Michigan, securing to us the great bulk of the through traffic of the States of Wisconsin, Iowa, and Minnesota, the population of which has more than doubled in the last ten years.

The statement made by the Committee, that I received a letter from Mr. Trowbridge, announcing a different state of financial affairs to what had originally been reported, and that such letter was considered three days before the meeting of Shareholders on 8th October, 1857, is not correct. The facts are these. Before leaving Canada early in September, 1857, I went to Detroit with Mr. Robert Kaye, one of the present Committee, and being then just about proceeding to England, I was desirous of obtaining the latest information relating to the Detroit and Milwaukee Company. I accordingly wrote out a string of questions, and requested Mr. Trowbridge to reply to them. He promised to do so at the earliest possible date, but I had left before it was ready. I reached London about the 21st of September, when I for the first time heard of the proposition for a loan to the Detroit and Milwaukee Company. The half-yearly Report of the Directors to July 31, 1857, recommending a loan of 150,000*L.*, was issued to the proprietors, on September 30, 1857. Mr. Sibley, who was in America when I left, arrived in England two or three days before the meeting (it is impossible to say precisely how many days), and brought with him the letter from Mr. Trowbridge, dated from Detroit 21st September, 1857, being the replies to the inquiries left with him. Mr. Sibley handed in that letter with a large packet of papers as the Board was sitting, and it was placed upon the Board table. It and the other papers were very voluminous, and as the Meeting was close at hand, involving a great pressure of business and correspondence, all matters that could be delayed were put on one side until after the Meeting, and amongst others the packet of papers that had been received from Mr. Sibley. There is documentary evidence, which was shown to the Accountants, to prove that this long statement of accounts from Mr. Trowbridge was never looked into until the 10th October, 1857, or two days after the meeting, that being the earliest moment at which time could be found for the investigation of the papers. These facts are all in the evidence given by me, and are corroborated by the Secretary, Mr. Baker, and were of course before the Committee when they drew up the paragraph of their Report in question.

Mr. Trowbridge's statement disclosed a state of finances at variance with that made in the letter, dated 7th September, 1857, from Mr. Walker and Mr. Stewart to the Board in London. A careful examination, however, showed that a large amount of the debts could be postponed for a long period of time, that the works could be carried on with very small cash payments, and that the loan of 150,000*L.* if judiciously expended, would secure the opening of the Line, which was the object had in view, when it was determined to grant it.

After very great deliberation it was decided, before I left London, to go on and complete the Line, provided I found, when I got to America, that I could, in conjunction with Mr. Reynolds, who had just been appointed Financial Director of this Company, make such arrangements with the creditors as would set free the Rails and other materials required to finish the Line, and leave sufficient funds to carry on the works required for its completion.

We did succeed in making the necessary arrangements, and were enabled to open the Line with the means at our disposal.

Your minutes prove conclusively that before I left England positive instructions were given to me, strictly defining what course I was to take, and leaving to me the discretion of carrying out the views of the Board, provided I could do so within the limits which they had prescribed.

APPENDIX

The discretion was as to being able to make such arrangements with the secured creditors as would enable the Line to be opened with the means at our disposal. These arrangements were concluded on even more favourable terms than was expected when I left England.

The letters addressed to me, prior to the 18th December, 1857, all distinctly reiterated the instructions which I had received before I left.

Immediately on landing at New York I met the two largest creditors and arranged with them as to the postponement of their debts in the manner desired by the Board.

I then went on to Canada, and without delay proceeded, in conjunction with Mr. Reynolds, with the duty entrusted to us relative to the Detroit and Milwaukee Company's debts, and to the rigid scrutiny of their Books.

On the 28th December, 1857, we addressed our first joint Report to the English Board, detailing the result of our efforts to postpone the debts, explained the nature of the security we should get, and gave a programme of the manner in which the loan of 150,000*l.* would be expended under the arrangements we had made.

I then returned to New York and completed all the arrangements of every kind with the secured creditors.

When I returned to Hamilton on January 9th, 1858, I received Mr. Baker's letter of the 18th December, 1857, twelve days after we had sent off our Report stating the steps which we had taken, and the arrangements made, under the instructions of the Board, for postponing the debts of the Company.

Upon receiving the reports from us, the English Board unanimously confirmed all that we had done as fulfilling "the requirements of the resolution of the General Meeting of Shareholders on 8th October, 1857," and passed a vote of thanks to us for the manner in which we had carried out the duty assigned to us.

And a confirmation of the views under which the Board acted in 1857, is to be found in the following extracts from a letter, dated 28th January, 1858, addressed to me by Mr. Govan, one of the Directors in London:—

"I shall not attempt to convey to you, in this note, the intense pleasure which the reading of these documents afforded me. You and Reynolds have accomplished the task entrusted to you by the Board in a manner which does you both infinite credit, and I cannot but look upon it as other than a most providential circumstance that the advices (18 Dec. 1857), which might have prevented your acting as you have done, *did not reach you till after you had successfully brought to a conclusion the mission which we had instructed you to accomplish.*

"In addition to the records of the Board's approbation of your conduct, contained in the minutes of our last meeting, I beg the acceptance by Mr. Reynolds and yourself of my most cordial and hearty thanks for the great service you have rendered to both Companies on the present emergency.

"I have just read over the above remarks to Mr. Cullen, and he instructs me to say that he entirely concurs in every word I have written."

The Accountants saw this letter, as well as all the other documents, and they are referred to in my evidence. The Committee have thus, in order to found a charge against the Board and myself, deliberately misstated facts, and the dates of letters, whilst they had fully before them the information which proves that the charge they make is false.

I distinctly deny, in the most emphatic and unequivocal manner, that the payments which were made to the Directors and myself had the slightest

effect in inducing a determination to proceed with the loan. The question of proceeding with the loan had been settled before I left England, and long before the Detroit and Milwaukee Board voted these sums. APPENDIX.

The payment made to me was a voluntary act on the part of the Detroit and Milwaukee Board, of which I knew nothing until after all our arrangements were satisfactorily completed. All these arrangements met with the full concurrence of my colleague, Mr. Reynolds. Some of them, indeed, had been concluded as soon as I landed in New York, and before I had met any of the Directors of the Detroit and Milwaukee Company. The latter said, what was perfectly true, that for several years I had been engaged in assisting them in the prosecution of their enterprise. I had, before any part of their Line was opened, travelled through the country traversed by their Line for the purpose of making an investigation into its prospects. I had repeated this on several occasions—once proceeding as far as the Mississippi river, involving a journey of nearly 2,000 miles; I had, from time to time, been applied to by them in reference to their proceedings; I had made several elaborate reports in reference to their Company; I had acted as a Trustee for the lands; and, as a recompense for the time and labour which I had bestowed on their affairs, they decided upon paying me the amount in question. I felt that I had rendered the Company important services, and I did not, therefore, decline to receive what they had voted me, which they did on the same day that they voted the payments to the Directors and officers in London. The Detroit and Milwaukee Board announced the vote which they had made to me in the following terms:—

“ We desire to convey to you the hearty thanks of our Board of Directors, for your long, uniform, and earnest friendship to the Detroit and Milwaukee Railway Company, for the many services you have rendered us from the very beginning of our enterprise; and in consideration of these services, and of the many expenses incurred by you, and which cannot enter into any detailed account, we award you the sum of four thousand pounds, and hereby direct the treasurer of the Company to pay you the same.”

Out of the money so voted to me, I paid the secretary of this Company in Canada the sum of 300*l.* as he for several years had been engaged in matters specially pertaining to the affairs of the Detroit and Milwaukee Company.

I must add that much more than the full amount of the loans for 250,000*l.* has been expended in the completion of the Line, and supplying it with rolling stock, stations, &c. and for work actually executed since the date when the first loan was granted. The actual outlay for new works, &c., entirely irrespective of these payments, interest on bonds, or debts which existed before we assumed control of the Company, has been 302,541*l.* or 52,541*l.* more than the amount of the loans made by this Company; the latter amount having been provided out of the traffic of the Line, and money raised in America. These facts were fully explained to the Accountants.

I treated this payment as one which the Detroit and Milwaukee Board were fully justified in making if they pleased, and I saw no reason why my past services to that Company should not be recompensed, as were the services that had been rendered to it by the other Great Western Directors and officers.

The Detroit and Milwaukee Board voted the money properly and regularly; the transaction is recorded in their books: and I made not the

APPENDIX. slightest difficulty in the Accountants' fully examining those books ; indeed, I myself told Mr. J. Young of this particular payment.

It was quite in my power to have prevented any examination whatever into the books and affairs of the Detroit and Milwaukee Company. The Great Western Company are Bond, and not Shareholders of the other ; and to the extent of less than one-seventh of the entire capital of the Company ; and certainly no Accountants employed by the Great Western Company could have any *right* to examine the books of another Company, in a foreign country and owned by an entirely distinct set of Shareholders.

I was at the time Receiver of the Company, and an application to the Court of Chancery for permission to let strangers examine into matters which were then judicially before them would, as I was advised, have resulted in an order of the Court to me not to permit any such examination whatever to be made.

So desirous was I, however, that everything should be freely thrown open to the Accountants, that I gave them the utmost possible latitude to examine into everything connected with the Detroit and Milwaukee Company, and Mr. Young personally told me that he had been treated by me with the utmost frankness and candour.

Having now fully explained this matter, I have only to leave this, and the other charges made against me, to the decision of the Shareholders.

SARNIA LINE.

The Committee state that a sum of 15,000*l.* was paid in settling the contracts for the construction of this Line. The amount paid was 10,000*l.* sterling, with the full approval of the Boards both in England and in Canada. The extra bills rendered by the contractors were, after much examination, referred to arbitration, and after several months' labour the matter was compromised, under legal advice, by the payment of the sum named in full of all demands.

FREE PASSES, &c.

The Committee call attention to the issue of Free Passes. Upon this point everything has been done by this Company to limit their issue as much as possible ; but this question never can be put upon an entirely proper footing unless concert of action is adopted by all Railway Companies. No one Line can afford to pursue a policy in this matter unless those competing with it will do the same ; and I am speaking the views of the Board as well as of myself, when I say, that we shall greatly rejoice if any measures can be adopted to diminish the undoubted evils of the present system.

The Committee also speak of the system of collecting tickets on the trains by the conductors. This is another matter which cannot be entirely altered, except by concert of action amongst the different Lines ; and, indeed this is distinctly stated by the Accountants at page 22, where they say :—

“ The Great Western Company have, we believe, made considerable efforts to dis-
“ continue this system ; but from what we learn, any restrictions in this direction should
“ be judiciously applied, as the freedom in this respect throughout the States creates a
“ prejudice against those Lines where the same liberty does not exist.”

CONCLUSION.

I have now fully replied to all the charges which the Committee have made against me, extending over a period of upwards of eight years. APPENDIX.

During that time I have endeavoured to do what my judgment told me was for the best interests of the Company. I do not desire to contend that I have not made mistakes, looking at the results by the light of ascertained experience.

But every impartial mind will at once admit that it is an easy matter to judge correctly after the event, but far more difficult to decide at the moment when action has to be taken. The history of every Railway Company in the world, or, indeed, of any large industrial or commercial enterprise, would show, in an examination into its affairs years after they had been concluded, that much had been done which it would have been better to have left alone, and much not done which after results showed might have been advantageous. And so it is of this Company.

A great deal of the hostility which has been displayed against me arises from the decided course which I took in 1856 in preventing this Company from being forced into the construction of the memorable Southern Line. If that attempt had succeeded this Company would now have been irretrievably ruined. I stood alone in Canada in frustrating the great efforts made, by those then in the Board, to commit this Company to an outlay, and a course of policy, which the result has proved would, if adopted, have been utter ruin. For my conduct on that occasion, I received a special vote of thanks from the Shareholders at the meeting in England on 14th October, 1856.

I was warned at the time I took the stand I did, that I should be pursued with the greatest hostility by those promoting the Southern Line, and they have not failed to pour into the ears of the Committee every slander which could be invented against me.

And many of the charges now made against me are a mere repetition of those which have been made by Mr. H. B. Willson in pamphlets which he has published relating to this Company. He wrote an anonymous pamphlet in October, 1859, which I replied to at the meeting in England on the 5th of that month, on which occasion I again received a unanimous vote of confidence from the Shareholders.

Mr. Willson then placed himself in communication with the Committee formed in November, 1859, by Mr. Chatteris—came from Canada expressly for the purpose, was in constant intercourse with them, and was present at some of their meetings. He published another pamphlet shortly before the meeting on 4th April, 1860, at which the Committee of Investigation was appointed, containing a repetition and enlargement of the charges he had previously made against me. To that pamphlet I replied in detail, copies of my reply being circulated amongst many of the Shareholders.

Mr. Willson was present at the meeting on 4th April, 1860, and returned to Canada shortly after the appointment of the Committee. On the arrival of the Accountants he placed himself in communication with them, addressed numerous letters to them, some of which he subsequently published, took, as he himself states, much labour in preparing information for them, and appeared before them in the character of a hostile witness.

In the published copies of his letters to the Accountants, passages occur

APPENDIX. which throw much light upon the mode in which the inquiry originated and was conducted.

He accounts for the publication of his pamphlet of March, 1860, by saying that the charges against the management "were summed up by me in the form in which you find them in my pamphlet *in order to afford the proprietors an opportunity of having them inquired into by a Committee.*"

He then shows that the Committee were using him as a principal assistant in their attacks, for he states, in his letters to the Accountants, that they were written at the request of the Committee, and at page 19 he places his connexion with them beyond a doubt by saying—

"I had prepared thus much of my statement in support of the pamphlet *which you have invited me to sustain.*"

And now it appears that the charges made against me by the Committee are in the main mere repetitions of those brought against me by Mr. Willson in his pamphlets, and which charges I proved to the Accountants were false, as they in fact to a great extent admitted to me personally.

Although I was in England for three months before the issue of the report of the Committee, they have never asked me to go before them to give them explanations, or afforded me an opportunity of knowing what it was they intended to allege against me.

This Mr. Willson, whose charges the Committee have thus adopted, has been connected with various schemes which he has endeavoured to get aid for from this Company. He has been an alternate friend and foe according as he thought his interests would best be served, and his present hostility is caused by the fact that I have done my duty to the Shareholders in protecting their property from designs which he had formed against it, and because, as he himself in his last published effusion states—

"*What gave me the first determination to expose the deplorable policy of the Great Western Board, was the insolent manner in which the overtures made by me on behalf of certain parties in America to lease the Canadian Line, were received by the Board in London.*"

This proposal, which he made without adducing any credential to show for whom he was acting, was to lease the Great Western Line at a fixed rent of 3 per cent. per annum, leaving him to work the Line for a few years, until the road and rolling stock were thoroughly worn out, and then leave the Shareholders to incur the expense of putting both into proper condition.

No wonder the Board treated such a proposal as unworthy of consideration; and hence, as he says, his "*determination to expose (their) policy.*"

I will not waste further time by dwelling upon Mr. Willson and the motives which actuated him in his hostility, or the Committee in so thoroughly adopting all he told them.

But I may request the Shareholders to contrast the present sweeping censure of Mr. Robert Kaye and his colleagues, with the expressions used by that very same gentleman in his letter to your Chairman, Mr. Gill, written on the 26th of September, 1857, after he had visited Canada, spent much time in examining into everything connected with the Railway, and spoke, not from the views borrowed from the animosity of Mr. Willson, but from his own personal inquiry and investigation, viz.—

"With regard to our own Line, the Great Western of Canada, I have to say, that it *appears to me to be one of the best, both as regards management and otherwise, I have seen in America.*"

"If you and another of your brother Directors were to visit the Line, I feel assured APPENDIX
"you would be pleased with it, *and with Mr. Brydges.*"

And in conclusion let me ask in what condition is this Company now as compared with all the other Railways in Canada?

The Great Western is the only Line which has regularly and promptly paid all its preferential charges for interest, &c. It is the only one which has ever earned and paid a dividend upon its Shares. It is the only one which has its capital account practically closed; it is the only one which has not at the present moment a large floating debt; it is the only one which has ever remitted to England the amounts required to pay interest on its bonded debt, and dividends upon its Shares; and its working expenses, in proportion to its receipts, are lower than those of any other Line in Canada.

The average dividend paid by this Company during the last seven years has been at the rate of $4\frac{1}{2}$ per cent. per annum; a rate that will compare not unfavourably even with railways in England.

And it is after I have been mainly instrumental in placing this Company in a position so vastly superior to that of any other Canadian Railway, that the Committee of Investigation pronounce me unworthy of confidence, upon the evidence of discharged servants, and speculators whose schemes I have frustrated, but which evidence the Committee have not ventured to publish.

I have the honour to be,

GENTLEMEN,

Your most obedient Servant,

C. J. BRYDGES,

Managing Director.

LONDON, 18th March, 1861.

HAMILTON AND TORONTO.

LETTER *from* GEORGE WYTHES, Esq. CONTRACTOR.

To the DIRECTORS *of the* GREAT WESTERN RAILWAY OF CANADA.

REIGATE, *March 12th*, 1861.

GENTLEMEN,

THE Committee of Investigation into the affairs of your Company have reported to their Shareholders upon certain matters in which I am interested, and as to which I am desirous of replying, which I think it best to do through you.

Hamilton and Toronto Railway.

The Committee have stated that the Board of 1855 "settled with" Mr. Wythes, by paying him upwards of 20,000*l.*, to which, the Committee "think, he was not entitled." It matters very little to me what "the Committee think" on such a subject. I considered, at the time, and consider still, that I was entitled to a very much larger sum than the 20,000*l.* which I received for extras. That 20,000*l.* was paid to me for purchases of land for a double Line (the original contract having been only for a single Line); for superior works required by Mr. Brydges to those originally contemplated; for the cost of changes made under the contract, and for additional interest paid by me to Shareholders. The whole amount which I received for extras was only a little more than 6 per cent. over the contract price; an amount for extras which every one acquainted with the subject will acknowledge to be very small.

My contract for the supply of rolling stock and stations was only 28,000*l.* or about 700*l.* per mile; a sum utterly insufficient for the purpose, especially considering the great increase of population and traffic, and the better class of station accommodation required, beyond what was originally contemplated by your Engineer. The stations were ultimately built and the rolling stock provided by the Company itself, I handing over the amounts of the estimate for these objects out of the contract moneys.

The extra expenditure upon the Line was occasioned, not only by the insufficiency of the estimates in such matters as these, but by the extension of the Line through a very valuable property in the city of Toronto, for nearly a mile and a half beyond the point to which my contract extended, in order to form a junction with the Grand Trunk Line.

The works upon the Hamilton and Toronto Railway will bear comparison

with any Line in Canada both as to cost and also as to the description of work done; and, indeed, I believe the Hamilton and Toronto to be the best and cheapest Line ever made in Canada. APPENDIX.

The Investigation Committee also report, with regard to this Railway, that "Mr. Laing had entered into a partnership agreement with Mr. Wythes" for the construction of the Line.

I was applied to to become the contractor for the construction of the Hamilton and Toronto Railway. Having had no experience at that time in the construction of railroads in America, I was not inclined to undertake the work. It was, however, much pressed upon me by various parties, and amongst others by Mr. Laing. At last, I agreed to undertake it provided the parties promoting the Line would show their confidence in the Line and in their own estimates for its construction by taking some share of the risk. It was agreed that Mr. Laing should do so, and should become liable for one-third of any loss I might sustain.

There was nothing but an honourable understanding in the matter, and that honourable understanding was put an end to, at Mr. Laing's desire, about fourteen or fifteen months after the agreement. As I had felt myself prejudiced by Mr. Laing's connexion with the matter, which occasioned much interference and annoyance from the Manager, I was rejoiced to end the connexion. There was, of course, no account of any sort up to the time the understanding terminated.

It is not true, as the Committee assert, that, when I made my claims upon the Company for extra work, "Mr. Laing accompanied me to the Board and advocated my claims." He never accompanied me to the Board. On one occasion I believe he was present, when I attended with my Solicitor to get a settlement; but it is wholly untrue that Mr. Laing, on that or any other occasion, attended with me to advocate my claims. He could have no interest in doing so; and, indeed, at the period when I made my claim, we were not acting in perfect harmony.

Concerning my contract for this Line, I can only repeat what I wrote to you under date 20th November last, that "I am ready to reopen the whole question, and refer it to arbitration, as provided for in the contract, and to refund whatever the arbitrators may decide, if I have been overpaid anything, provided your Company will, on your part, undertake to pay me such sum as the arbitrators may determine that I am fairly entitled to, in excess of the moneys already paid me."

Detroit and Milwaukee Railway.

I was induced to take the contract for the Detroit and Milwaukee Railway chiefly in consequence of being so large a holder in the Great Western Line, to which it was thought that the Detroit and Milwaukee would prove of great advantage.

The Committee aver that my contract with the Detroit and Milwaukee Company was "a pretended contract." It was not "a pretended contract." It was a *bonâ fide* contract. I was the responsible contractor for the Line throughout its construction; and you are aware that I transacted business with your Board through several successive years in that capacity. During the construction of the Line, I had two engineers with an efficient staff resident in America, who forwarded to me monthly reports and certificates of

APPENDIX. the progress of the works and of the money expended. Had there been any failure on the part of the sub-contractors, I should have been responsible.

My contract with Messrs. Walker and Trowbridge was a sub-contract entered into with them in order that the land and works might be got possession of to the best advantage. This contract was entered into with the advice of my solicitor, and was of the usual character of a contract between a principal contractor and his sub-contractors. I did not receive any profit under this contract, as the Committee allege; on the contrary, I have sustained large losses. And if, as they say, I never did "a shilling's worth of work under the contract myself," I had to see that others did the whole of the work, and to be responsible that they did it properly.

I never conceived that it was necessary that I should communicate to you how I carried out my contracts. As Trustees for the Bondholders you accepted my responsibility, and held me to be responsible for the execution of the works; and I never shrank from the responsibility which attached to me. It is not usual in such cases for a contractor to submit his arrangements to third parties. The Line, so far as my share of the works was concerned, was handed over by me at the price agreed, and my share of the contract was duly executed. There was, therefore, no "deception," as the Committee allege, either upon you or any other parties, and no party was prejudiced by this sub-contract.

With regard to the Shares, amounting to \$365,450, which the Committee aver to have been handed over to me, and to have been "clear profit," the fact is, that these Shares were lodged with me as a security and guarantee for my advances to a foreign Company, and also to give me a voting power to protect my Bonds against Extensions and Amalgamations, and also subject to an account on the completion of the Line. That account has now been taken, and \$299,660 of the Shares agreed to be returned to the Company. I am, therefore, only the holder of about \$65,000 of Shares (which the Committee, at page 8 of their Report, declare to be of "NO VALUE"); although I still hold \$380,000 of the Company's Bonds, which I took to find the Company in funds, and which are now at 50 per cent. discount, with little or no sale even at that figure. This will show that I have made no "profits" from the Line, but, on the contrary, a loss to the extent of at least 30,000%. You will remember, that I repeatedly offered to give up the Shares to the Great Western Company, provided I was released from the responsibilities under my contract, but that you never thought proper to concur in such arrangements.

I will only add, that the additional cost of this Line had nothing to do with my contract. It was incurred for stations, rolling stock, ballasting, and completing and extending other portions of the Line, and also in paying debts owing by the Company, of which, when I made the contract, I was in total ignorance, as, I believe, you were also.

All the works under my contract were carried out. Any failures that afterwards arose upon the Line were occasioned by the vast amount of debt in which the Company was involved before the contract was made, of which we were all kept in ignorance, and which led them into great embarrassments, which we had no power to avert. As you are aware, their rails were seized by creditors at New York, and that and other property had, of course, to be redeemed out of capital raised for works and stock. With all this, of course, I had no concern. My part of the contract was faithfully executed, and the money which passed through my hands was duly vested in the Line.

Advance of Money from Free Land Shares.

APPENDIX,

The Committee in their Report under the heading of "Free Land Shares," state that I "applied to the Great Western Directors for a loan out of this fund." The facts are these. The Detroit and Milwaukee Company, being pressed by creditors, had given bills, some of which became due in July, 1857. To meet these bills, the Agents of the Detroit and Milwaukee pressed the Directors of the Great Western Company to make them an advance in anticipation of the money expected to be derived from the Free Land Shares, but this application you deemed it proper to refuse. The Agents then applied to me to advance them 20,000*l.* to enable them to meet these bills and save their credit, which I did, and they agreed to deposit Detroit and Milwaukee Bonds as security with the Great Western Company, who ultimately consented to pay me over the amounts derived from the Land Shares as they accrued, in discharge of this advance. The 6,000*l.* was the first instalment of this payment; 9,000 was afterwards paid me in several sums, and as the Free Land Shares were not taken by the public to any extent, I had great difficulty in obtaining the balance; indeed, I did not get my money repaid me for upwards of two years. I cannot understand how the Committee can infer or impute that I received any benefit from this transaction, which consisted of an advance of capital by me to save the credit of the Company, and which terminated in my recovering my capital with extreme difficulty.

I am, GENTLEMEN,

Yours truly,

GEORGE WYTHES.

To the DIRECTORS of the GREAT WESTERN RAILWAY of CANADA COMPANY.

REIGATE, November 20, 1860.

GENTLEMEN,—Having heard from the late Mr. Peter Buchanan that the Committee of Investigation of the Great Western Railway of Canada Company are prosecuting some inquiries relative to my contract for the construction of the Hamilton and Toronto Railway, and understanding that some questions have been raised by them, though without any communication with me, I beg to say (in order to prevent any misapprehension as to my position as respects such contract), that I am perfectly willing to open the whole of my accounts for the construction of that railway, and to refer the same to arbitration in the usual manner, as provided for in my contract, and I will undertake to refund whatever the arbitrators may decide I have been overpaid, if anything, provided your Company will on their part undertake to pay me such sum, if any, as the arbitrator may determine that I am fairly entitled to receive in excess of the moneys I have received.

I am, GENTLEMEN,

Yours truly,

GEORGE WYTHES.

APPENDIX.

LETTER FROM ROBERT GILL, ESQ. PRESIDENT.

LONDON, March 18th, 1861.

To the BOARD of DIRECTORS of the GREAT WESTERN RAILWAY COMPANY.

GENTLEMEN,—I was appointed a member of the Committee of English Shareholders of the Great Western Railway Company of Canada, at a General Meeting held in London, in April 1854. The other members of the Committee were Mr. S. Laing, M.P., Mr. J. Baird, M.P., Mr. J. B. Smith, M.P., Mr. G. Harris, Mr. C. Makins, and the late Mr. Peter Buchanan.

The Committee was appointed for the purpose of conducting negotiations with other Companies, of corresponding with the Directors in Canada, and generally of watching the interests of the English Shareholders, and reporting to them from time to time upon matters requiring their decision.

I was elected an English Director of the Company in October 1854, but I objected to be considered simply a Director by courtesy, having no power or authority attaching to the position, and at my instance, in May 1855, an Act was obtained of the Canadian Legislature giving English Directors the power of voting by proxy at the meetings of the Board in Canada.

Mr. Laing disqualified as a Shareholder in March 1855, before the power to vote by proxy was secured, and upwards of nine months before the settlement was made with Mr. Wythes, which was only arrived at after a protracted correspondence, and a long negotiation.

It is not true, that "after having disqualified, Mr. Laing accompanied " Mr. Wythes to the Board Meetings, and advocated Mr. Wythes' claims," as the Committee of Investigation have asserted, but he came to the Board to give us information relative to the Hamilton and Toronto Railway Company, which, from the fact of the majority of the Great Western Board knowing nothing of its early history, we were much in want of.

I am, GENTLEMEN,

Your obedient Servant,

(Signed) ROBERT GILL.

LETTER from J. B. SMITH, Esq. M.P. to the Directors.

APPENDIX.

105, WESTBOURNE TERRACE, March 7, 1861.

To the DIRECTORS of the GREAT WESTERN OF CANADA RAILWAY COMPANY.

GENTLEMEN,—Seeing in that part of the Report of the Committee of Investigation of the Great Western Railway Company of Canada, relating to the period when I had the honour of acting as Chairman of the Company in England, viz. Nov. 6th, 1855 (and which office I resigned 5th August, 1856), several misrepresentations of facts, I request you will furnish me with the means of correcting them. This is due to myself, as well as to the gentlemen who acted with me at the Board, none of whom compose the existing Board, with the exception of Mr. Gill.

I attended a meeting of the Committee of Investigation at their request, but not having any previous intimation of the points on which they desired information, I was unable to speak of transactions occurring four or five years ago with the precision which I should otherwise have been able to do. Had I also been informed of the presence of a shorthand writer, my evidence would have been of a less desultory character than it was. I know not whether it be the intention of the Committee to publish such evidence, without taking the usual course, of sending a printed copy to the examinee for correction.

I am, GENTLEMEN, your obedient Servant,

J. B. SMITH.

REPORT OF THE COMMITTEE OF
INVESTIGATION.

REPLY.

A. "The consideration of those claims (viz. the claims of Wythes under the Hamilton and Toronto contract) by the London Directors of the Great Western Company, commenced in the early part of 1855; and on the 6th of February of that year, a Board meeting was held, Mr. S. Laing, M.P. in the chair, at which Mr. Wythes, accompanied by his solicitor, who was also solicitor to the Hamilton and Toronto Company, attended. The minutes show that much deliberation took place on the subject, and contain a recommendation to the Canadian Directors of the Great Western Company, 'That unless the differences at issue could be forthwith settled in Canada, the requisite authority should be transmitted to the London Board for that purpose.'"

A. It is necessary to premise, that at the period named, although ninety per cent. of the capital was held in England, the management of the Company was, by law, vested in the Board of Directors in Canada. What were called the English Directors, were only nominally Directors; they represented the interests of the English Shareholders, but had no power beyond that deputed to them by the Board in Canada.

In the settlement of Mr. Wythes' claims, it appeared to the English Board that there were only two courses open to them, viz., either to compromise the claims, or to leave those claims to the arbitration of Mr. Robert Stephenson, as provided in Wythes' contract.

The Board were of opinion that it was most expedient, in the first instance, to attempt the former course, and that a settlement could be arranged with more facility between parties on the spot (viz. the English Board and Mr. Wythes) than by parties living at a distance of three thousand miles from each other (viz. Mr.

APPENDIX.

REPORT OF THE COMMITTEE OF
INVESTIGATION.

REPLY.

B. "The Canadian Board assented: at the same time insisting that 'the chief matters in dispute should not be given up,' and this resolve was reiterated from time to time by several persons connected with the Canadian Board."

Wythes in England and the Directors in Canada), and they therefore requested the Canadian Board to give them the requisite authority to endeavour to settle Mr. Wythes' claim.

B. The English Board were equally pertinacious with the Canadian, "that the chief matters in dispute should not be given up;" and this led Mr. Wythes to demand that his claims should, in virtue of the agreement, be left to the arbitration of Mr. Robert Stephenson.

Let it be borne in mind, that the English Board were no parties to this contract with Mr. Wythes;—it was entered into 30th November, 1852, and the English Board were only appointed in 1855—they had, therefore, to deal with the case as it came before them, in the manner which they considered, under all the circumstances, best for the interest of the Shareholders.

When, therefore, Mr. Wythes insisted upon a reference to Mr. Robert Stephenson, the Board had to consider the position in which the Company stood.

1st. They had to contend with a loosely drawn agreement with Mr. Wythes.

2d. There was doubt whether some of the claims could be refused.

3d. The reference would be attended with great expense.

4th. During the arbitration the use of the Railway would be lost, and its completion indefinitely delayed.

5th. The sum of 328,000*l.* had been expended, on which the Shareholders and Bondholders were entitled to 6 per cent. per annum, which would have to be paid during all the time the arbitration was in progress. Supposing the arbitration to have been as protracted as the labours of the Committee of Investigation—nearly a year—the loss of interest on this outlay alone, would have amounted to as much as the Board agreed to pay, as a settlement of Mr. Wythes' claim.

In view of all these circumstances, the Board were unanimously of opinion, that they would best consult the interests of the Company by compromising Mr. Wythes' claims for £20,000, in preference to the risks of an arbitration.

Reviewing these transactions after a lapse of more than five years, I am confirmed in the conviction, that the Board

REPORT OF THE COMMITTEE OF INVESTIGATION.

REPLY.

APPENDIX.

C. "In March, 1855, Mr. Laing, having disqualified, ceased to be a Director, but no notice was given to the Shareholders of this unusual proceeding.

D. "On the 9th of November, in the same year, what was called a final settlement with Mr. Wythes took place, but such settlement does not appear to have been final. Mr. Beattie succeeded Mr. Laing,

"and the Great Western Board, then consisting of Mr. J. B. Smith, M.P., Mr. R. Gill, Mr. P. Buchanan, and Mr. A. Beattie, took the Hamilton and Toronto contract off Mr. Wythes' hands in an incomplete state; and, although incomplete, in spite of the protests of the Canadian Management, they settled with Mr. Wythes by paying him upwards of 20,000*l.* to which the Committee think he was not entitled;

E. "and so far as they can learn, no account or written settlement of Mr. Wythes' claims was ever submitted to the Directors in any shape whatever.

acted wisely in the whole course it pursued.

C. Mr. Laing having disqualified, there being many important questions requiring attention, the Board were desirous of associating with them some other gentleman, and on the recommendation of many influential Shareholders, Mr. Alexander Beattie, a Director of the South Eastern Railway, was invited to succeed him. Mr. Beattie joined the English Board with the assent of the Canadian Directors.

D. It is true, that the English Board settled with Mr. Wythes, by the payment of 20,000*l.* in full for all his claims. But the Committee of Investigation bear testimony, that this settlement was not the result of a hasty conclusion, since its consideration commenced on 6th February, 1855, and was not concluded till the 9th November of that year. But it is not true, that the Board in Canada protested against the settlement. On the contrary, as soon as the English Board advised them of the settlement, and furnished the whole details of Mr. Wythes' claims, together with their reasons for the settlement, the Canadian Board passed the following resolution—

"That taking the nature of the contract, and the difficulties of arbitration into account, the Board considers that the London Directors have made a settlement with Mr. Wythes, which has their full approval."

E. This allegation is simply untrue. Mr. Wythes did deliver a written statement of his claims, amounting to 85,000*l.* viz.—

For additional land for a double	
instead of a single line . . .	£10,000
One year's interest paid to	
Hamilton and Toronto Share-	
holders, Mr. Wythes having	
paid three years' interest and	
only contracted to pay two	
years' interest	13,000
Interest on rolling stock and	
stations	2,500
Superiority of the Hamilton and	
Toronto works over those of	
the Great Western of Canada.	60,000
Total	<u>£85,000</u>

APPENDIX. REPORT OF THE COMMITTEE OF INVESTIGATION.

F. "And during the progress of the settlement Mr. Laing, although no longer a Director, nor even a Shareholder, accompanied Mr. Wythes to the Board meetings, and, as the Committee are informed, advocated his claims.

G. "The Great Western Directors subsequently expended upwards of 70,000*l.* in finishing the work, making a total cost to the Shareholders of 90,672*l.* 5*s.* over and above the contract price of 328,000*l.* for which Mr. Wythes had undertaken to finish and complete the Line."

REPLY.

It is clear, that the Committee of Investigation must, or *ought* to have known of the above statement. How else could they have examined Mr. Laing (see question 930 in their Report) upon the exact figures, comprising the above items, contained in Mr. Wythes' statement of his claims?

F. Having heard, that Mr. Laing had been interested in the Hamilton and Toronto contract with Mr. Wythes, I objected to his taking any part in the discussion of that question. Mr. Laing acknowledged, that he had formerly had an interest in the contract, but that it had ceased. After this time, however, he never, as a Director, took any part in these discussions, but disqualified.

When Mr. Laing ceased to be a Director, he came before the Board in a new character; and if, on any occasion, he accompanied Mr. Wythes, which is doubtful, there could be no objection to his doing so; he did not advocate Wythes' claims.

G. It was necessary to finish the Line, and being joined, on oneside, with the Great Western at Hamilton, it was incomplete until it was joined with the Grand Trunk, and other Railways, at Toronto, which it appeared, from the contract, Mr. Wythes had not undertaken to do, and hence the increased expenditure incurred, in extending the Railway about a mile and a half into the city of Toronto, and providing the requisite stations, and rolling stock, beyond the limited quantity originally provided for.

J. B. SMITH.

III.

DETROIT AND MILWAUKEE.

18, KING'S ARMS YARD, MOORGATE STREET,
July 10th, 1856.

DEAR SIR,—Believing I am now able to remove all the doubts which prevented the success of the application of the Detroit and Milwaukee Company to the Great Western for assistance to complete their Line, I wish again to bring the matter before your Board. APPENDIX.

Our Line was opened to Owasso, 78 miles, on the 1st inst. The traffic for the month of April averaged per week per mile 17l. 3s. currency; and for May, 24l. currency; the returns for June are not yet received, but will be nearly equal to May.

West of Owasso the Line is graded, bridges and culverts made, and the iron purchased, and now being laid, for a distance of 35 miles.

We have now an offer from Mr. George Wythes, of Reigate, who is well known to your Board, to build and complete the balance of the Line and receive his pay, one half in cash and one half in the shares of the Company at par. If we make this contract, it secures the completion of our Line at an early day, and within our estimate of 6,500l. per mile. But to do this, it is necessary for us to place 250,000l. of our bonds.

Under these circumstances, as all doubts as to the cost and early completion of our road will be removed, and because I believe the interests of your Line and our own will be best subserved by a cordial co-operation, I am willing, on behalf of our Company, to carry out the traffic arrangement heretofore made, if you will place the above amount of our bonds at par.

This can easily be done by your Board saying, either to your Shareholders or the public, that as, under the traffic arrangement made with us, sufficient receipts of our Line to pay the interest on these bonds will come into your hands, you will be responsible for the payment of the same as it falls due.

If we conclude this contract with Mr. Wythes, our Line will be opened to Ada, 140 miles from Detroit, this year, and the remainder early in the year 1857.

I need not say to you that time is very important to us.

Will you be kind enough to lay this letter before your Board, and say to them, I am very anxious to receive an answer, at the earliest moment possible.

I am, very respectfully,

Yours, &c.

(Signed)

H. N. WALKER,

President, &c.

To B. BAKER, Esq. Secretary.

REIGATE, July 16th, 1856.

APPENDIX.

DEAR SIR,—I beg to inform you I shall not be able to attend the meeting to be held to-morrow; but if I should, I cannot say more relative to the construction of the Detroit and Milwaukee Railway than repeat what I have already stated, viz. that I am willing to enter into a contract to complete that Line for 500,000*l.*; payment to be made half in cash, and the other half in the shares of that Company, and I would also take 50,000*l.* of bonds.

I consider that the securing the traffic of this Line is an advantageous opportunity to the Great Western Company which they may never see again, and induces me to make the above offer, or I should much rather be without the contract, if any other party will take it on same terms.

I am, &c.

(Signed) GEORGE WYTHES,
per J. T. KITSON.

To B. BAKER, Esq.

THE GREAT WESTERN RAILWAY OF CANADA,
29, AUSTIN FRIARS, LONDON,
August 29, 1856.

GENTLEMEN,—For the purpose of carrying into effect our Contract with Mr. Wythes, we request, out of the moneys paid into the London Joint-Stock Bank on our Bonds, that you will pay for the rails, fish plates, and bolts, amounting to about seventy thousand pounds, and will pay the residue, being about thirteen thousand pounds per month, commencing the 8th of September next, and upon the eighth of each month following. These payments should be made to Mr. Wythes, whose receipt will be a sufficient discharge.

We are, respectfully yours,

(Signed) H. W. WALKER,
President of the Detroit and Milwaukee Company.

To R. GILL, Esq. and A. BEATTIE,
29, Austin Friars.

LONDON, September 5, 1856.

DEAR SIR,—Referring to the annexed letter of Mr. H. W. Walker, I have to request you will cause the monthly payment of thirteen thousand pounds (13,000*l.*) to be made to my credit at the Commercial Bank, London.

I am, dear Sirs,

Yours truly,

(Signed) GEORGE WYTHES.

To MESSRS. ROBERT GILL and A. BEATTIE,
Great Western Railway of Canada.

IV.

STORES.

To the PRESIDENT and DIRECTORS of the GREAT WESTERN RAILWAY OF CANADA.

MORLEY'S HOTEL, CHANCING-CROSS,
5th March, 1861.

GENTLEMEN,—Before my departure for Canada I have felt it a duty to the memory of my late brother, Mr. Peter Buchanan, who acted as London Agent under a power of attorney from the Directors in Canada, and to Mr. Samuel Laing in his absence, to address Sir Charles Wood the letter of which I send you a copy. APPENDIX.

And I now write you to express my hope that, in your official reply to the Report of the Committee of Investigation, you will not omit to do Buchanan, Harris & Co. of Liverpool, Isaac Buchanan & Co. New York, and Harris, Law & Co. Montreal, the justice to explain that, although some difference of opinion now exists on the subject of their charges for services to the Company, which a former Board paid, the present Board have never meant to insinuate that the firms in question charged more than at the time they considered just and fair, or would again be willing to do the same service for in similar circumstances.

I may mention that when, to our great surprise, we heard of our charges being called in question (although our accounts, which were rendered on the sailing of each ship, had never been objected to, and for years had always been regularly paid), we brought the subject before various shipping houses in Liverpool of the highest standing, who at the time were cognisant of the harassing nature of our services (the names of whom you can have at any time by applying to Peter Buchanan & Co. Glasgow), who all concurred that we had not been overpaid. The business was not one of our seeking, being to the greatest possible extent disagreeable and responsible, and such as we would not have undertaken for any other railway, or even for the Great Western Railway, had not Mr. Peter Buchanan been London Agent for the Company.

But in the circumstances (and as being the only house with establishments at all the different ports of shipping and unloading), we did not feel justified in refusing the agency at the critical moment of the opening of the Railway, when no reclamations on insurers or forwarders could have compensated the Railway for its rails and rolling machinery being lost or delayed. Indeed the work to be done now by an agent bears no comparison with that which we had to do at the opening of the Railway, for, as you are aware, the rolling stock is now manufactured in Canada and the United States, which

APPENDIX. was formerly required to be imported from England, the difficult and dangerous shipping and unloading of which were always at the risk of the shippers; while even the correspondence with and personal applications to shipowners in every part of Great Britain were such as could not have been foreseen, as the holds of the vessels generally required to be cut, and other injuries to be inflicted on the vessels, which few owners of first-class ships would submit to.

And parties who would compare the ordinary effecting of a common insurance with our trouble in insuring, do not take into account the reluctance we experienced on the part of underwriters to look at such unusual risks as cargoes of locomotives.

Our difficulties and anxieties were even greater on the other side of the Atlantic; for as the Great Western Railway was the first Railway that shipped locomotive engines to Canada, there did not exist at that time at the port of Montreal any means of unloading and handling such heavy machines, and we had vast extra expense, anxiety, and trouble in consequence, having had specially to prepare various sets of immense shears and other apparatus and tackling, which were a great inconvenience to the business of the Port, and brought us into perpetual collision with the authorities and the public.

As to any complaints, in a small case or two, of inferior articles being supplied, we were not furnishers of any of the Railway machinery, but only handed the orders for these to the makers pointed out by the officials of the Railway, so that no blame in regard to their quality could attach to us.

With regard to the insinuation as to any absence of vouchers, there never was any such neglect in any business committed to us. These can only be absent from being lost or mislaid. The writers of the Report, however, may not be aware that in the case of our large disbursements of Customs Duties (which comprised a large part of our accounts against the Great Western Railway), we got no vouchers from the Government, but the correctness of the charges are easily checked by reference to the Provincial Tariff of Customs.

And as to our not having as yet taken any legal measures to recover the small sum (381*l.*) still owing to our Liverpool firm, we have not considered this worth our while. You must be aware that the Railway Company has no legal existence in England, and that had we brought an action in Canada, we should have had to produce from this country all our vouchers and witnesses at an expense probably greater than the amount to be sued for.

I have the honour to be, GENTLEMEN,

Your obedient, humble Servant,

ISAAC BUCHANAN.

V.

CORRESPONDENCE WITH THE COMMITTEE OF
INVESTIGATION.

No. I.

16, TOKENHOUSE YARD, LONDON, Oct. 25, 1860.

SIR,—There are several matters upon which it is desirable to receive APPENDIX.
explanations from you, and we beg to request that you will favour us with
an early appointment to meet the Committee of Investigation at the
Company's offices.

We shall feel obliged by your naming a day during next week if
convenient to yourself.

We are, &c.

(Signed) COLEMAN, TURQUAND, YOUNGS, & CO.

ROBERT GILL, Esq.

Chairman of the Great Western Railway Company of Canada, London.

No. II.

GREAT WESTERN RAILWAY OF CANADA, GRESHAM HOUSE,
October 31, 1860.

DEAR SIRs,—In reply to your letter of the 25th inst. requesting the
attendance of the Chairman before the Committee of Investigation, I am
desired to inform you that he has laid it before the Board of Directors.

They instruct me to say that every facility has been afforded to the
Committee to inquire into the past management of this Company, of which
the acts of the Directors form a part, and are before the Committee in their
written proceedings.

If any information is required which these proceedings do not afford, the
Board are most ready to furnish it, in the form of a reply to any written
questions the Committee may lay before them.

But they do not think it would be consistent with what is due to their
own position or character to allow the individual members of the Board to be
subjected to a loose interrogatory.

I am, DEAR SIRs,

Your obedient Servant,

(Signed)

BRACKSTONE BAKER,

MESSERS. COLEMAN, TURQUAND, YOUNGS, & CO.
16, Tokenhouse Yard, E.C.

Secretary.

No. III.

16, TOKENHOUSE YARD, LONDON, November 1, 1860.

APPENDIX. DEAR SIR,—In reply to your letter of yesterday's date, we are requested to inquire whether the Committee of Investigation are to understand that your Chairman (Mr. Gill) refuses to appear before them to give information, and to answer such questions as they may consider necessary.

We need scarcely remark that in consequence of Mr. Gill's early connexion with the Company, there are matters in relation to which the Committee wish to receive information and explanations from him, of which the other members of the present Board can have, officially, no knowledge.

We have to request the favour of an early reply, as these delays interfere with the completion of the Report.

We are, DEAR SIR,

Yours truly,

(Signed) COLEMAN, TURQUAND, YOUNGS, & CO.

BRACKSTONE BAKER, ESQ.

Secretary of the Great Western Railway of Canada.

No. IV.

GREAT WESTERN RAILWAY OF CANADA, GRESHAM HOUSE,
November 5, 1860.

DEAR SIRS,—I am desired by the Chairman (Mr. Gill) to acknowledge the receipt of your letter to me of 1st instant.

I am instructed to repeat, that Mr. Gill is ready to afford you (in answer to any specific questions in writing) every information respecting matters on which you suppose he has special knowledge; but, with full respect for the Committee, the Board have decided to decline consenting to any individual member being subjected by you, on behalf of the Committee, to a long, loose, private interrogatory without any defined object.

I am to add that the Board meet on Wednesday next, at 12 o'clock, should the Committee wish to have an interview with them.

I am, DEAR SIRS, yours truly,

(Signed)

BRACKSTONE BAKER,

MESSRS. COLEMAN, TURQUAND, YOUNGS & Co.

Secretary

16, Tokenhouse Yard, E.C.

No. V.

16, TOKENHOUSE YARD, November 6, 1860.

DEAR SIR,—We have to acknowledge the receipt of your letter of the 5th instant, and are requested to reply that the Committee of Investigation appointed by the Shareholders, regard it as a refusal on the part of Mr. Gill, the Chairman of the Company, to meet them. APPENDIX.

We are, DEAR SIR, yours truly,

(Signed) COLEMAN, TURQUAND, YOUNGS, & CO.

BRACKSTONE BAKER, Esq.

Secretary of the Great Western Railway of Canada, Graham House.

No. VI.

GREAT WESTERN RAILWAY OF CANADA, GRESHAM HOUSE, E.C.
LONDON, February 23, 1861.

DEAR SIRS,—I am directed by the Board to request you will now return to this Office the books, vouchers, and papers relating to the affairs of the Company, in pursuance of your letter to me of 21st November, 1860.

I am, DEAR SIRS, yours truly,

(Signed) BRACKSTONE BAKER,

MESSRS. COLEMAN, TURQUAND, YOUNGS & Co.
16, Tokenhouse Yard.*Secretary.*

No. VII.

GREAT WESTERN RAILWAY OF CANADA.

16, TOKENHOUSE YARD, E.C. LONDON, February 25, 1861.

DEAR SIR,—We have been requested to submit your letter of the 23d instant to a meeting of the Committee, to be held on the 27th instant.

We are, DEAR SIR, yours truly,

(Signed) COLEMAN, TURQUAND, YOUNGS, & CO.

BRACKSTONE BAKER, Esq.

Secretary, Great Western Railway of Canada, 126, Graham House, E.C.

No. VIII.

LONDON, February 28, 1861.

DEAR SIR,—Your letter of the 23d instant, addressed to Messrs. Coleman, Turquand, Youngs, and Co. requesting the return of all books, papers, &c. has been laid before the Committee, and I am requested to inform you, that after due consideration, the Committee have decided to request Messrs. Coleman and Co. to retain possession of those documents.

Should the Directors require inspection, they will be freely open to them for that purpose.

APPENDIX.

The Committee feel satisfied that the course they propose cannot inconvenience the Directors, or yourself, and that it will meet with the approval of the Shareholders.

I am, DEAR SIR,

Yours truly,

(Signed)

H. H. CANNAN.

B. BAKER, Esq. *Secretary, Great Western Railway of Canada.*

No. IX.

GREAT WESTERN RAILWAY OF CANADA, GRESHAM HOUSE, E.C.
LONDON, *March 2d, 1861.*

DEAR SIR,—In reply to your letter of 28th ult., I am desired by the Board to inclose copy of the letter from Mr. Brydges, containing the condition on which the books, papers, &c. in question were confided to the Messrs. Youngs, and also copy of a letter from those gentlemen, promising the return of them.

I am to express the surprise of the Board at the course now proposed to be taken by the Committee, in violation of the faith, without which no books or papers would have been entrusted to their custody.

I am, DEAR SIR,

Your obedient Servant,

(Signed)

BRACKSTONE BAKER,

Secretary.

H. H. CANNAN, Esq.

*Chairman of the Committee of Investigation,**Care of Messrs. Coleman, Turquand & Co. 16, Tokenhouse Yard.*

No. X.

[Copy referred to.]

GREAT WESTERN RAILWAY, HAMILTON, CANADA WEST,
August 25, 1860.

DEAR SIR,—Referring to our conversation this morning, and to the full powers conferred by the Shareholders on the gentlemen composing the Committee of Investigation, and by them delegated to us; and having regard to the expense and inexpediency of protracting our stay here beyond the time when we shall have completed the local examinations which can only be conducted in this country, we beg to inquire whether you have any objection to our taking with us to the London Office such books and papers as we may deem absolutely necessary to enable us to complete our investigation?

We are, DEAR SIR,

Yours truly,

For Partners and self,

(Signed)

JOHN YOUNG.

C. J. BRYDGES, Esq.

Managing Director of Great Western Railway of Canada.

No. XI.

[Copy referred to.]

GREAT WESTERN RAILWAY, MANAGING DIRECTOR'S OFFICE,
August 25, 1860.

DEAR SIR,—I am in receipt of your letter of this day's date, referring to our conversation this morning, in regard to your taking with you to the London Office of this Company certain books and papers necessary to be examined by you in completing the inquiry confided to you, and I beg to say, that, looking to the full powers confided by the Shareholders of this Company to the Committee of Investigation, and by them to you, I will agree to the course you propose. APPENDIX.

You will, of course, give me a full receipt for all the books and papers you require to take, and undertake to give them all up again to the Directors of this Company in London.

I am, DEAR SIR,

Yours faithfully,

(Signed)

C. J. BRYDGES,

JOHN YOUNG, Esq.

Managing Director.

No. XII.

[Copy referred to.]

16, TOKENHOUSE YARD, E.C.
LONDON, November 21, 1860.

DEAR SIR,—In reply to your letter of yesterday's date, the books and vouchers referred to by Mr. Reynolds will be returned to the Company here in accordance with the arrangement made with Mr. Brydges, as soon as the Committee have completed their Report.

We are, DEAR SIR,

Your obedient Servants,

(Signed) COLEMAN, TURQUAND, YOUNGS & CO.

B. BAKER, Esq.
Secretary, Great Western Railway of Canada, Gresham House.

No. XIII.

LONDON, March 4, 1861.

APPENDIX.

DEAR SIR,—In reply to your letter of the 2d instant, I beg to say, that the Committee, in the exercise of their discretion, and of the “full powers” entrusted to them by the Shareholders, have resolved that the books and papers shall for the present remain in the possession of Messrs. Coleman and Co.

In the first place, the Committee will require further reference to them and in the second place, had their powers been less ample than they are, I should, under the circumstances, have taken upon myself the responsibility of impounding all documents until the pleasure of the Shareholders should be ascertained.

I am, DEAR SIR,

Yours truly,

(Signed)

H. H. CANNAN,

Chairman of the Committee of Investigation.

BRACKSTONE BAKER, Esq.

Secretary, Great Western Railway of Canada.



